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ABSTRACT

Good record keeping--along with a constant and detailed knowledge of expenses, income, profit, and loss--is the first step toward profitable management of a child care center. Good record keeping is especially important in a center that provides "drop-in" or occasional care because income may fluctuate greatly as a result of the variable number of children using the center. This guidebook for effective record keeping, one in a series on the subject of military child care centers, is based on the experience and actual operating procedures of the program at Fort Lewis, Washington. It is hoped that the system for record keeping, as well as the financial planning and management techniques explained in this guide, will provide the center's director with answers to the following basic questions: How can I plan a financially sound child care center? How should I budget when income from parent fees controls center expenditures? How should I establish fees and charges that will provide adequate income but not be more than parents can afford? How can I control major expenses so that the center is not wasting its limited funds? On a daily basis, what kinds of records should I keep in order to monitor income and expenditures? and, finally, How can I tell, before it is too late, that the center's expenses are exceeding its income? (MP)

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Financial Planning For Military Child Care Centers

A guidebook based on the experiences of the Fort Lewis Child Care Center

April 1982

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ASSISTANT SECRETARY OF DEFENSE
MANPOWER, RESERVE AFFAIRS, AND LOGISTICS

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301

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FOREWORD

This series of manuals for Child Care Givers on DoD Installations is issued under the authority of DoD Instruction 6060.1, "Training Manuals for Child Care Givers on DoD Installations," January 19, 1981. Its purpose is to provide child care givers with training materials that include the latest techniques and procedures for the safe care and guiding development of children entrusted to their care.

This series of manuals, DoD 6060.1-M-1 through DoD 6060.1-M-17, was developed under the auspices of the Department of Health and Human Services by the Department of Army, in cooperation with the Navy, Air Force, and Marine Corps.

The provisions of this series of manuals apply to the Office of the Secretary of Defense, the Military Departments, and the Defense Agencies (hereafter referred to as DoD Components) whose heads shall ensure that the manuals are distributed or otherwise made available to all child care givers on DoD installations and that these materials are used in regional and inter-Service workshops, seminars, and training sessions.

This series of manuals is effective immediately.

Send recommended changes to the manuals through channels to:

Director, Personnel Administration and Services
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Deputy Assistant Secretary

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Running a child care center is, first of all, running a business. Good child care programs require careful management and a center director's full attention. It requires considerable information and skill to make trade-offs among desirable program elements which maintain a high quality center that military personnel can afford.

Good record keeping, a constant and detailed knowledge of expenses, income, profit and loss, is the first step toward "the business" and profitable management of a child care center. Good record keeping is especially important in a center that provides "drop-in" or occasional care because so many of the expenses are dependent on an unpredictable number of children using the center.

This guidebook is based on the experience and actual operating procedures of the child care center at Fort Lewis, Washington. Although it is based on the experience of one large military child care center, the financial management systems and procedures included in the guidebook should be useful to any director concerned with child care administration. Of course, a center director will need to check on the specific service regulations and installation procedures which apply to his or her installation to make sure that procedures recommended in this module conform to installation policy.

There have been many excellent books written by highly qualified authors which deal with financial planning and internal control systems for centers which have a set enrollment of the same children attending daily.

At Fort Lewis, the Child Care Center faced the problem of designing a financial management system for a large center which provided 93 percent "drop-in" or occasional care. "Drop-in care" may be defined as child care services provided on an occasional basis - services which meet the needs of parents for a safe place to leave children occasionally for limited periods of time. There is no way of knowing for sure how many children are going to be "dropped-in" on any given day or evening, what ages they will be, or exactly how long these children will remain in the center.

We found that if records are kept, trends or patterns of use become visible and an effective system for staff scheduling and budgeting can be developed.

Many military child care centers offer both full-time and "occasional care," and many centers have a larger proportion of permanent, full-time children. However, most centers have some seasonal variation in the numbers of children who attend or some combination of full and part-time children. It is for this reason that we feel Fort Lewis' financial planning and inventory system is broadly useful in military child care centers.

"Drop-in care," by its very nature, requires flexibility - flexible children, flexible staff patterns, flexible schedules, programming which meets the unpredictable needs of parents, and financial and accounting methods designed to accommodate this flexibility.

Some child care center directors believe that record keeping takes more time than it's worth. Other directors avoid it because they dislike "figure work"; because they feel that other duties in the center are of greater importance; or because they lack knowledge of what information is needed and how it may be obtained. Since facts are necessary for intelligent decision-making in the areas of establishing fees and charges, forecasting staff requirements, and maintaining an adequate inventory of food and supplies, a certain amount of record keeping is absolutely necessary. Fortunately, there are many ways of simplifying this record keeping. A major objective of this guidebook is to explain the records which should be kept and how they can be maintained and used with minimum effort.

The record keeping system and the financial planning and management techniques explained here will provide the required information and will assist you in obtaining answers to such basic questions as the following:

How do you plan a financially sound child care center?

How do you budget when income from parent fees controls what you can spend?

How do you establish fees and charges that will provide adequate income, but not be more than parents can afford?

How do you control major expenses so that the center is not wasting its limited funds?

On a daily basis, what kinds of records should you keep to monitor your income and expenditures?

How can you tell before it is too late that your expenses are exceeding your income?

What should you do if they are?

It must be mentioned here that I had no special training in "high finance" or previous experience in running a center when I was hired as the director of the child care center. I still have no training in finance or accounting, nor do I pretend to be an expert, but I now have had several years of experience at the center - making mistakes, learning by trial-and-error, suffering many headaches, and locating helpful resources on the installation.

This experience has taught me that in child care centers, as in life, we learn as much by learning what not to do as by recognizing what we must do. Allow yourself to make mistakes and learn from them - no one is perfect. Try not to be "scared-off" by the business of running the center. If you can keep a checkbook, then you probably can run a center - if you also know something about helping children develop. Try not to set up any system which is more complicated than necessary. Keep it simple, and let it serve you.

Possibly the most important thing I've learned is not to expect outside funding. Figure out the minimum amount of money on which your center can exist and charge the parents fees which will cover this bare existence. By doing this, you become self-supporting and will not ever have to close your doors. Then, when occasional gifts, donations, or funds come your way, they are simply frosting on the cake which make life more pleasant and much easier.

Through the use of many of the basic procedures explained in this guidebook, we were able to move our child care center from operating at a loss to breaking-even in only one year. In subsequent years we were able to improve the quality of the child care provided significantly while continuing to operate "in the black." All profits have been retained in the center through facility and program improvements. In fiscal year 1977, several thousand dollars were "rebated" to customers through reduced child care fees during the last two months of the fiscal year. All these things have served to improve the center, while also increasing enrollment, which further reduces our total cost per child and increases profit.

Establishing or improving a child care center, or any other small business, requires careful planning if it is to have a good chance for success. Time involved in collecting information and thinking through a desirable program will be time well spent. The planning process involved in establishing a new child care program or expanding an existing one involves four major steps:

- determining the need for child care in the population you wish to serve
- estimating the start-up costs involved in developing a program of the type and size which would meet those needs
- identifying the actual resources - both human and financial - that are available both on and off the installation to develop the child care program
- designing a program and preparing an initial budget which is realistic, based on information about need, probable costs and available resources

DETERMINING THE NEED FOR CHILD CARE SERVICES

Most people think of "daycare" or "child care" as a service to preschool children in a group setting, perhaps on a half-day basis. In fact, there are many different kinds of child care and, therefore, many different possible child care costs. Some child care programs serve infants and/or school aged children in addition to "preschoolers." Some are open from 6 a.m. until 6 p.m. on weekdays, while others offer all night care or care seven days a week. Some enroll children full-time only and do not allow parents to "drop-in" with their children for part-time care. Some are designed to care for children with disabilities, while others are not. As you can see, when you are planning a child care program, the kinds of services needed most by the community that you are serving directly affect the cost of running your program. Some care is more expensive to provide than others. Infant care, for example, which requires a lower ratio of staff to children, can cost two or three times as much in caregiver wages as care for school-aged children. That is why good program planning should start with a survey of the needs of the community for child care. This survey should involve three major parts:

information on the installation population to be served

identification of potential child care users within that community and the types of needs that they have

identification of other child care resources that already exist in the local community - both on the installation and in the surrounding area

Ideally, the questions that such a preliminary survey of need should answer include the following:

How many military families with children aged from birth to six years old and from 6 to 12 years old are assigned to the installation?

How many civilian employees - if entitled to child care - with children under six years old work on the installation?

How many of the military and the civilian employees are single parents or members of two-parent families in which both parents work?

Minimally, statistics are needed for two age groups - children from birth to six years of age and children between the ages of 6 and 12. Figures for the first group are difficult to find for there have been few requests for them. Service-wide statistics may not be available. Thus, each installation probably will have to find its own way of gathering this information. Installation hospitals may have birth figures. Additional figures may be available at well-baby clinics and from pediatricians. In addition, projections may be made by reviewing the total installation population breakdown by marital status. For Department of Defense construction purposes, DOD Construction Criteria Manual 4270.1-M, projections for the construction of child care centers are based on the married population, multiplied by 20 percent. Added to this figure should be the number of single-parent families and the civilian strength at the installation. Figures for children over six - who might need child care before or after school, on the weekends, or during the summer - may be gathered through the installation schools' records.

Basically, you are interested in finding answers to the following questions:

> What do parents with children 12 and under in this community do about child care now?
>
> What do they see as their unmet needs or needs for child care which affect their ability to work or to maintain a healthy family life?

Of the total child population in an installation community, only a percentage will actively use a child care center. Although surveys of whether or not someone would use a service if it existed are not a very reliable tool for prediction, they may be used to supplement other information. Any such survey should be brief and not attempt to gather anything but the most essential information.

SAMPLE SURVEY INFORMATION CATEGORIES

Military Sponsor

- Rank
- Sex
- Marital status
- Employment status of sponsor and (if apropos) spouse

Children

- Number
- Ages
- Special requirements or disabilities

Current Child Care Arrangements

a. Location

In own home - by relative
by non-relative

In other home - by relative
by non-relative

In preschool or nursery school - military
civilian

In child care center - military
civilian

In parent cooperative program

In before or after school activities program

Other, Explain ____________________________________

b. Types of Care Used

Infant (under 2 years old) care

Drop-in care

Full-day care

Half-day care

School age care

Evening care

Overnight care

c. Unmet Needs for Care

Explain ____

d. Cost Per Week for Care

Child 1 ________

Child 2 ________

Child 3 ________

Child 4 ________

Satisfaction With Current Care

Availability

Quality

Cost

Interest In Military-Sponsored Care

If quality care available, would you use it? ____________

Have you ever used military-sponsored care? ____________

While the child population may be high, suggesting the need for a center, the actual demand may be low. This may be due to the availability of good, accessible civilian centers closeby, or to the preference of parents for care in the home - either their own home, the home of a relative or the home of a babysitter who is not a relative. A "potential user" survey can tell you something about the use of home-care and center care, but another index of need is the availability of child care resources in the larger community which could serve the installation population. You will want to explore, What types and amount of child care services are available to this community?

How adequate are the existing services to meet the needs identified in the potential user survey?

What are the going rates for child care services in the local community?

ESTIMATING PROBABLE COSTS

The second step in designing a child care program which meets the needs of the community, is estimating the start-up costs for such a program, and, then, the costs involved to operate it on a day-to-day basis. It is very important to remember that planning a budget for a new or expanded program will be different from planning for an on-going program with already existing facilities, equipment, and child enrollment.

A new program will have some costs even before it is really open. These are called "start-up costs" and a separate budget should be prepared to cover them. Some usual kinds of start-up costs involved in setting up a child care center are as follow:

Capital Costs. A sizable expenditure during the initial stages of planning a child care center is the captial needed for either building a new building or renovating an existing structure. Whether starting from scratch or renovating, the cost will be high. Planning must include wise use of available money and other resources.

In order to determine the type and amount of space required, you will have to think out fairly specifically, the implications of what you have found out in your survey of needs. For example, what surfaced as the greatest unmet need for care? What types of care would offer the most necessary support for military families on this installation? What ages seem to have the greatest need for care? Given what you know about the population and existing resources, what is the smallest center that could operate to meet a reasonable proportion of the unmet needs?

In planning child care, perhaps the most unalterable decision to be made will be the selection of a site. On military installations, this will be determined mostly by the availability of existing buildings which can be converted for child care use or by the availability of land, if a new building is to be designed. Our present child care center is a converted Post-Exchange Building located in the installation hub close to the services and activities which parents use during the course of the day, such as the exchange, commissary, chapel, laundry, bank, thrift shop, and bowling alley. Further, the center is located near installation play fields and outdoor space which could be converted to outdoor play areas for the children in care. Outdoor play areas are important. If they are unavailable or impractical in very cold, wet or hot climates, more interior space and equipment must be made available for robust play.

When you have some sense of the smallest and largest number of children that you want to plan for and their ages, you then have a place to start in requesting needed space or designing a facility to house the program. At this point, you should carefully read current military regulations for child care facilities and existing state and local health and safety codes and licensing regulations. Local regulations may not apply to your military center, but they will, at least, give you a sense of the *minimum* standards applied to civilian centers in your area. When you are familiar with regulatory standards, you can make a list of basic requirements for building or renovating a center.

A word about renovations: Many installation child care centers are located in existing buildings converted for this purpose. In these instances, considerable alteration usually is necessary to meet the safety requirements for child care. Generally, the most immediately visible characteristics of a site are the most easily renovated or repaired. The hidden elements, on the other hand, may be the most costly. The following list of relative costs for renovating may be helpful in making an initial estimate of costs involved in a proposed renovation:

Least Expensive Renovations

adding room dividers
appliance repair
changing door locks
minor floor repair
painting/plastering
window repair

More Expensive Renovations

adding doors/sealing up doors
adding vestibules for coatrooms/protection from the outside
minor plumbing/electrical renovations
tearing down/relocating walls

Most Expensive Renovations

kitchen renovation/installation
major plumbing/toilets and sinks
major electrical renovations
renovating the heating system
tearing down/relocating many walls

ventilation renovations/air conditioning or adding windows

putting in playgrounds

The crucial variable in planning a center is the square footage of available play/classroom space, both indoors and outdoors. In addition, you will need adequate space to provide storage areas, a reception area, toilet facilities, staff restroom/lounge and, possibly, a room for library and meeting. If you do not plan to offer hot meals or if you have arranged to have food delivered, your kitchen needs will be reduced to a refrigerator, sink, a few counters and cabinets and perhaps a small range or hot plate. On the other hand, if you plan to have meals cooked on site, you will need a more elaborate kitchen, fully equipped for full-scale cooking. If infant care is offered, you may also require kitchen space in the infant section. See the section *Program Planning For Military Child Care Centers* in this Guidebook for a discussion on planning center space.

Supplies And Equipment Costs. A second expenditure to be anticipated in start-up costs are supplies and equipment for the facility. Such things as kitchen equipment, office furniture, playground equipment and telephones must be purchased and installed before the center opens. Supplies such as art materials, toys, food and office supplies also are essential before the center can operate.

Personnel Costs. The human effort to plan and implement a new child care program must be figured in start-up costs. At least a director and possibly a secretary are needed during early planning stages. An architect, a lawyer, or an accountant are available cost-free if the proposed center or renovation has been approved by DOD.

Working Capital. During the first few months - usually from three to six months - of operation, before a child care center's total enrollment is achieved, or, in a drop-in center, average attendance is known, working capital will be needed to cover operating expenses. That is, a director must plan on less than maximum income from parent fees during the first several months. The most careful planner can anticipate some additional unexpected expenses; therefore, a director should provide for this possibility in planning start-up costs.

IDENTIFYING AVAILABLE RESOURCES

The amount and types of resources used to develop and equip exisiting military child care centers probably have been very different on different installations, since in the past there has been no uniform allocation for this purpose. The Fort Lewis Child Care Center provides a case study of one way that the development of a military child care center has been accomplished in the past:

The pressing need for an adequate child care facility forced the existing Child Care Center Advisory Council to investigate the possible use of all buildings that might be available during early 1972. An adequate existing facility was not found. However, at that time, a new Post Exchange

Complex was under construction and the existing Exchange building was scheduled to be vacated late in 1972. Building 2166 contained 18,240 square feet and - with extensive remodeling - would make an excellent facility. However, several activities were vying for the use of the building.

Shortly after his arrival in 1972, the new installation Commander toured the existing child care center. He recalled that it occupied the same facility as it had during his previous tour at the installation in 1955-56. During his visit, the need for a more adequate facility and the pending vacation of Building 2166 were presented to him.

Later in the year, he announced that Building 2166 would become the new child care center. At that time, funds were not available for renovation; however, plans for the center were drawn up by architects on the installation and estimates of the costs involved were made.

In August of that year, the Sixth U.S. Army requested that Fort Lewis cancel a large Special Service Swimming Pool Grant to make the funds available for the Sixth Army use. The Commanding General agreed to cancel the pool if the Army would allow Fort Lewis to use a portion of that grant to renovate Building 2166 for the child care center. The request was approved as an exception to policy. The funds were available. These funds met about two-thirds of the renovation costs. In addition, some funds were diverted from a part-time employment for Special Services Activities grant; $3,000 was donated by the post Thrift Shop; $13,000 from the Reserve Account of the existing child care center was applied to renovation costs; and post engineers applied their time and supplies to the effort. When the initial renovations were complete, various units and parents on post offered to undertake the sponsorship of rooms or areas in the center, providing what was needed to outfit and decorate the room.

This case study is instructive because it involved some necessary steps in marshalling resources for child care in lieu of a planned allocation:

getting the attention and favorable response from the installation command group.

identifying a site on the installation that would be adequate for the children's program needs and estimating renovation costs.

maintaining good public relations on the installation and keeping and eye out for possible sources of funds for the project.

involving as many groups on the installation with the process of development and renovation as possible, e.g., the Thrift Shop, unit sponsors, architects, engineers, parents.

If you have an existing center that needs improvement, you will need to generate interest in the project: get parent support for the needed improvements; have the Health Nurse of Safety Office check the facility for needed improvements; see if a Dietitian or Extension Agent has recommendations for improving food services.

In some services, such as the Army, recent child care regulations include a description of appropriate resources for the construction and renovation of child care facilities and procedures for requesting the use of those funds. Child care centers are considered to be Morale, Welfare, Recreation-type facilities and, as such, should be constructed with funds appropriated by the Congress. This means the facility must be included and approved in the Military Construction Program submitted to Congress.

In addition to such major construction or renovation allocations, it is possible to get various groups and offices on the installation to support the project with equipment, labor or funds. See the section in this Guidebook on *Installation Resources Available to Military Child Care Programs*.

DESIGNING REALISTIC SERVICES

Once information is gathered and reviewed on need, potential start-up costs and available resources, it is possible to be more specific about the kinds of services that realistically can be offered. For example, if your survey revealed that there was a tremendous unmet need for full-day infant care, and your review of the regulations on space and staff/child ratios revealed that the cost of providing such care in a center would exceed $10 a day, - an unreasonable amount to expect military parents to pay for the service - you may decide, initially, to look for alternatives to center-based care for infants in the community. Perhaps family day care homes could be found to care for infants on a referral basis by the center. You, then, may decide to focus the center's services on full-day preschool care, as a start, with some attention to the before and after school care needs of school-aged children - a second high priority according to your survey. It may be that as the center begins to make money, you can add an infant care program and let some of the extra cost be absorbed by income from the other areas rather than by high fees.

An element of major importance in designing a cost-effective child care center is the development of fee policies and a staffing plan that will provide adequate income and make effective use of the staff. See the section of this module on *Maximizing Center Income* for a more detailed discussion on designing fee structures.

The process of preparing a budget for the day-to-day operation of a military child care center, operating with its income dependent upon parent fees, is made up of several components. Perhaps first we should look at just what a budget is. A budget is a *projection* or an estimate of what it will cost to get you from point A to point B in operating your program. In financial terms, your budget shows how much income you anticipate receiving and how you will spend it IF you receive it. If you receive *less or more* you will have to make adjustments in your plans to spend. A budget does *not* show you what you will do if you need to spend less or if you change your mind about what you want to spend the money for.

The budget process, then, is a planning process. It is a process in which you think out exactly what you want to happen over a period of time in your program, and how much each part of your plans will cost, in terms of staff, supplies and other expenses involved. This is the *expenditure planning* component of the budgeting process.

The other major component involves estimating the amount of income that you are likely to receive over the period for which you are budgeting. This is the *income planning* component of the budgeting process.

Finally, you must balance the two. That is, you must adjust your planned expenditures so that they will not exceed your expected income or you must figure out how to increase your income to cover your planned expenditures, e.g., raise rates for service. Usually adjustments are made on each side.

A budget is a list of every item or expense connected with your program for which cash payments must or may be made. In some cases, for instance, when a nurse volunteers her time to the program or when someone in the center donates a piece of equipment to the center, there may not be a payment required. However, such "in-kind contributions" should be included in your budget and an estimate of their value be made. In that way you have a more complete picture of the value of the resources used in your program and a summary of their actual cost. Also, you will have an accurate estimate of the cost of running the same program if you had to purchase the "in-kind" services.

The cost of child care services varies widely from one section of the country to another and from one type of program to another. While actual costs vary, the types of costs or cost categories around which a budget is organized are fairly standardized.

Program expenses usually can be discussed in the following basic categories:

Staff Salaries And Fringe Benefits. This category includes all personnel, from the center director to the maintenance man who are paid a salary by the center. Fringe benefits to salaried employees are those employee benefits for which the program will pay, such as social security, retirement, unemployment insurance, medical insurance, or sick leave. In military child care centers, staff salaries and fringe benefits are determined by a DOD Salary And Wage Fixing Authority which makes regular surveys of the prevailing rates of local wages for comparable positions.

Consultant Services. Frequently a variety of persons serve as consultants to a child care program. These people are not on staff but may work infrequently and be paid on a *per diem* basis.

In many cases consultant services are contributed, for example, by a dentist who volunteers time for dental checkups or by an early childhood educator from a local vocational school who provides staff training assistance as a part of his or her own job responsibilities. These are the "in-kind" services which should be recorded and their value estimated in the budget process.

Equipment. Equipment includes all of those items purchased which are not regularly used up or consumed. Equipment includes everything from office typewriters to cribs for the infant room. Large play equipment, garbage cans, books, vacuum clearners and tables all are considered equipment. You may find it useful to subdivide this budget category by program components, e.g., educational or curricular equipment, office equipment, caretaking equipment, kitchen equipment. Military child care centers have an advantage over many civilian centers in their ability to purchase some of the necessary equipment through General Services Administration Contractors and from the Installation Exchange.

Supplies And Materials. The budget for supplies and materials includes all those items which are used up in the day-to-day operation of the center. Such things as paste, paper, blankets, curtains, extra clothing for children, and housekeeping supplies are included here. This budget category also can be subdivided by program component, e.g., educational supplies, housekeeping supplies, office supplies. Military child care centers again have the advantage of being able to purchase supplies from the Installation Exchange, the Commissary, the Self Service Supply Center or Base Service Store, and the Thrift Shop. In-kind donations frequently are made which fall into this budget category.

Travel. Transportation costs for a center can include transportation arrangements for children to and from the center, transportation for children on field trips, and transportation and per diem for staff travel to professional conferences.

Food. The food budget includes the cost of all food used for meals and snacks in the center. The installation Commissary allows a cost savings to military centers in this budget category.

Space And Utilities. Many of the space and utilities costs which are a large budget item in most civilian centers, are paid from the Appropriated funds which support all facilities on a military installation.

Other Or Miscellaneous Costs. Each center probably will have some expenses which do not fit easily into the above categories, e.g., maintenance, repair costs.

A more complete discussion of ways to manage costs efficiently is included in the section of this module, *Controlling Major Center Expenses.*

Budgeting for the second year and beyond will be easier than preparing an original budget since you will have some budget history to work from as you prepare for the coming year.

DETERMINING PAST ENROLLMENT EXPERIENCE

In the budgeting process, you will need to understand the difference between the *maximum potential income* - the income that would be received if 100 percent of the capacity of a child care center were used every day, and the *expected income* which is an estimate based on the *actual* income received from attendance or enrollment of children over some "typical" period in current center history. That is, the *expected* income which you project in your budget *is not* simply the fee that will be charged for each child multiplied by the maximum number of children and the number of days in operation. It would be very unusual - if not impossible - for a program ever to have 100 percent utilization. Even with a waiting list, there will be some delay between the time when one child leaves and another enters. You often will be faced with the child whose needs do not fit into the opening that you have.

Therefore, the amount that you budget as *expected* income or *budgeted* income should be based on your actual enrollment experience. Consider whether you have any fee policies that might reduce income; for example, *enrolled* children who do not have to pay when they are not in *attendance* due to illness. Pay attention to income lost through bad debts - uncollected parent fees.

In order to determine your enrollment experiences and to project future income, you need to look at the percent of your capacity that has been used in the past by each rate category and assess whether it is likely to change in the period for which you are budgeting.

The simplest way is to compare your total income earned from fees for the most recent past period to the *maximum potential* earnings for that same period. For example,

Use Level For One Year - Income History Method

Center capacity - 40 children

Fee charged - $125 per month on basis of enrollment (i.e., a full fee is charged for holidays/illness and vacations)

Annual earnings from center received for one year - $56,232

Maximum potential earnings -

$125/month/child
x 12 months
$1500/year/child
x 40-children capacity
$60,000 maximum income possible

Use level for that year - $56,000 actual earnings, divided by $60,000 maximum possible income = 93.7 percent of maximum.

A more difficult but as accurate a way to determine utilization level is to compare your actual days of enrollment to the maximum possible days of enrollment. If you have different rate scales for different children, i.e., family rates, prepaid rates, you should weight the enrollment days accordingly. Only if you charge one rate for all children will there be a direct relationship between days enrolled and fees collected. If you fill one space with a half time child for whom you charge a reduced fee, then the comparison of income earned to potential income should be weighted. That is, a half time child would be counted as half a day's enrollment and charged only half the full fee.

An example of this method of calculating use level:

Use Level For One Year - Enrollment History Method

Maximum capacity - 40 children

Fee charged - $125/child/month on the same basis as above example

Actual days of enrollment from center records - 9,745

Maximum possible days of enrollment

5 days/week
x 52 weeks/year
260 days/year
x 40 children
10,400 days

Use level for that year - 9,745 days of actual enrollment divided by 10,400 maximum days of enrollment - 93.7 percent maximum enrollment.[1]

When you have half day or before and after school children, who are not in attendance during all hours of center operation, for example, you can have all of your spaces filled and still not earn your *maximum* potential income. You can have no openings and still go broke unless you analyze the effect of the various categories of care, and accompanying rates, on your income and enrollment. That is why, in our child care center which provides 70 percent drop-in care, attendance, not enrollment, is analyzed on an hourly, not a daily, basis.

To continue, let us suppose that your actual income is 93.7 percent of the maximum potential income, or $56,232. In projecting your income for the coming budget period, do you expect that the same experience will hold? Are there things you plan to do to change the use level of one or another group in the future? Are you going to add a new charge for meals or for transportation? Are you going to change your rate or fee policies structure? You should check with installation staff to determine if any significant changes in the population of dependents is expected, such as the assignment or transfer of a major unit which would affect the age composition of the center population.

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[1] These methods and examples are taken from Carl Staley. "Budgeting - when fees control expenditures." Child Care Information Exchange 1, 1978, pp. 21-28.

Once you have made the best possible educated guess about how much income will really come in, it is not very difficult to think of ways that you want to spend it. You really have no choice about paying salaries and mandatory fringe benefits. You have no choice about buying supplies, needed equipment and food for meals and snacks. You do have to decide whether it is important to provide paid release time for staff development or buy a big new piece of playground equipment.

When your center has operated for a year or more, the expense planning process begins with a review of previous years' operating experience or expense records. This review should include comparisons of at least *two years'* experience and two kinds of comparisons should be made,

> *Each year a comparison should be made of the percentage of the center's gross income which was consumed by each expense category in the budget, e.g., did the amount spent on salaries comprise a larger proportion of the total center income last year than it did the year before?*

and

> *A comparison should be made of the percentage of change from one year to the next in the amount spent for the same budget items, e.g., how much have expenses for consumable supplies gone up from one year to the next?*

The percentages needed to make these comparisons are simple to do with an ordinary pocket calculator which can be bought in the Exchange.

Initially you will want to calculate the proportion or percent of the center's total gross income - income before expenses are subtracted - that was spent on each category of operating expense for the past two or more years.

Figure 1 is an example of what this can look like.

FIGURE 1
Sources Of Income As A Proportion Of
Total Gross Income

	1976		1977	
	Amount	Percent of Gross Income	Amount	Percent of Gross Income
FEES				
Daily	$82,669	75.5%	$89,848	69.4%
Prepaid	18,926	17.3	31,491	24.3
Membership Dues	2,062	1.9	2,200	1.7
Gross Income (fees)	$103,657	94.7%	$123,539	95.4%
FOOD SALES				
Sales Revenue	$12,245	11.2%	$15,285	11.8%
Cost of Food	- 6,399	5.8	- 9,314	7.2
Gross Income (food)	$ 5,846	5.4%	$ 5,971	4.6%
TOTAL GROSS INCOME	$109,503	100%	$129,510	100%

To find your gross annual income, you add together all of the revenue collected from parent fees for the year plus the revenue generated by food sales - if you charge a fee for meals or snacks. From the food sales revenue, you subtract the cost of the food which was sold. You then will have two major categories of income, income from fees and income from food sales, which, when added together, will give you your TOTAL GROSS INCOME. In Figure 1, as you can see, the sample center's total gross income was $109,503 in 1976 and $129,510 in 1977.

For purposes of explanation, let's use the year 1976 as a sample for calculating the percent of the gross income which each source of income contributes:

- $109,503 is 100 percent of the total gross income for 1976.
- "Daily" fees, in 1976, brought in $82,669. In order to find the proportion or percentage of the total gross income which was received in "Daily" fees, you would *divide the total income from "daily" fees by the total gross income.*

.755 or 75.5 percent of the total gross income
109,503)82,669.000 came from "daily" fees

- For each source of income you would go through this same process of *dividing the income in each category by the total gross income for that year.*

When you calculate this same information for two prior years and place it side by side, as in Figure 1, you can compare the percentage of the center's gross income which was contributed by each income source each year. Increases in the proportion of income from one fee category, for example, may mean that there has been an increase or a decrease in children who use the center frequently.

FIGURE 2
Types of Expenses As A Proportion Of
Total Gross Income

	1976		1977	
	Amount	Percent of Gross Income	Amount	Percent of Gross Income
Total Gross Income	$109,503	100%	$129,510	100%
Salaries	93,858	85.6	100,141	77.3
Fringe Benefits	7,119	6.5	8,283	6.4
*Personnel Office	3,784	3.5	3,528	2.7
Supplies and Equipment	3,450	3.1	3,127	2.4
Maintenance and Repair	185	.2	210	.2
Miscellaneous	245	.2	295	.2
Total Expense	$108,641	99.1%	$115,584	89.2%
Net Income	$862	.9%	$ 13,926	10.8%

*pro-rated share for cost of personnel transactions conducted by the Civilian Personnel Office for the child care center.

A comparison of the percent of increase or decrease in the proportion of income spent for each type of center expense can tell you a great deal about what is changing in the operation of your center. Figure 2 shows such a comparison for the sample center. These percentages are found by using the same method as we used to find the proportion of income for each source, i.e., *divide the total spent on each budget category by the total gross income that year.* A deviation or *change of more than about one percent should be analyzed* very carefully to determine the cause and whether or not it can and should be changed.

As you begin to analyze your expenses and search for explanations for changes in the proportion of income spent for food, for example, you will analyze changes in proportion received from food sales at the same time. A review of the two years' costs and revenue from food sales, in Figure 1, reveals that the center's costs for food have made more than a one percent increase from 1976 to 1977 - an increase of 1.4 percent from 5.8 percent of the total gross income in 1976 to 7.2 percent of that income in 1977.

When you compare 1976 and 1977 revenue figures from food sales, you can see that, although revenue from food sales in the center increased by over $3,000 in 1977, the cost of food also increased by nearly the same amount.

The reasons for such a cost increase may be due to food price increases, or it may be due to waste, theft or the use of higher priced kinds of food. One of two things can be done at this point - or a combination of the two - the selling price of meals/snacks can be increased to provide the same percentage of gross income; the cost of food sold can be reduced by more efficient buying, prevention of spoilage and waste, or by using lower priced items on the menu.

The same kind of analysis and search for explanations should be done for each category of expenditure which is changing by more than one percent from year to year.

Another example, taken from Figure 1: Looking at the changes in the categories of INCOME from 1976 to 1977, you can see that there has been a significant increase in the proportion of "Prepaid" fees to "Daily" fees from 1976 to 1977. The increase in "Prepaid" income in this drop-in center is an indication that more children are using the center on a regular basis, and these children normally remain in the center more hours per day than most "drop-ins." The "Prepaid" rates also are lower than the "Daily" rates. Experience has shown that the more stable the population of children in the center the more efficient is staffing, with a resultant expected *decrease* in the proportion of expenses going to salaries. This *decrease* in the proportion of gross income spent for salaries can be seen in the "Salaries" category in Figure 2. Although the total number of children and the resultant income increased, the percentage of this income used for salaries decreased from 85.6 percent in 1976 to 77.3 percent of the gross income in 1977. Our child care center's experience has been that when salaries and benefits do not exceed 85 percent of total income, the center operates in the "black." If these expenditures can be kept at around 80 percent, the center will have "extra" income to put back into the center.

A second important benefit of having one or two year's budget history to work from is that you can compare two prior years' experiences for the same items and see how much, for example, the costs for supplies have gone up from one year to the next. Also, you will want to understand the increase and decrease in your sources of income to shed some light on their relationship to expenses and, in some years, the percentage increase in income resulting from a fee change. Figure 3 shows this side-to-side comparison of income sources for the two years. These were calculated to find the percent of increase in the amount of income from each source.

FIGURE 3
Percent of Change By Income Source

	1976	1977	Increase or Decrease 1977 over 1976	
			Amount	Percent
FEES				
Daily	$82,669	$89,848	$7,179	8.7%
Prepaid	18,926	31,491	12,565	66.4%
Membership Dues	2,062	2,200	138	6.7%
Gross Income (fees)	$103,657	$123,539	$19,882	19.2%
FOOD SALES				
Sales Revenue	$ 12,245	$15,285	$ 3,040	24.8%
Cost of Food	- 6,399	- 9,314	- 2,915	45.6%
Gross Income (food)	$ 5,846	$ 5,971	$ 25	.4%
TOTAL GROSS INCOME	$109,503	$129,510	$20,007	18.3%

In order to find the percentage increase or decrease in income sources or in expense categories, you can do the following, using Figure 3 as an example for setting up the analysis:

- List the various amounts of income from each source or expenditures in each budget category for two years side by side. For example, in the "Daily" fees category $82,669 was collected in 1976 and $89,848 was collected in 1977.
- Then, subtract the smaller of the two numbers from the larger number to get the actual amount which the income or expense increased or decreased from one year to the next. In our example, income from "Prepaid" fees has gone up $12,565 from 1976 to 1977.

  In some cases income or expenses may go down from one year to the next. When this occurs, indicate this by a minus sign (-) in front of the "Amount" column or by parentheses ( ).

To find the percent of increase or decrease in income categories or expense items you *divide the difference of the two years by the earlier of the two years that you are comparing.*

In figure 3 the difference in "Prepaid" fee income is $12,565. You will divide this difference by the income from "Prepaid" fees in the first year, 1976.

.6639 or 66.4 percent increase in income
18,926) 12,565.0000 from "Prepaid" fees

Your would go through the same process for each expense category.

FIGURE 4
Percent Of Change By Expense Category

	1976	1977	Increase or Decrease 1977 over 1976	
			Amount	Percent
Salaries	$93,858	$100,141	$6,283	6.7%
Fringe Benefits	7,119	8,283	1,164	16.4%
Personnel Office	3,784	3,528	- 256	- 6.8%
Supplies and Equipment	3,450	3,127	- 323	- 9.4%
Maintenance and Repair	185	210	25	13.5%
Miscellaneous	245	295	50	20.4%
Total Expenses	$108,641	$115,584	$6,943	6.4%
Total Gross Income	$109,503	$129,510	$20,007	
Expenses	- 108,641	- 115,584	- 6,943	
Net Income	$862	$ 13,926	$13,064	1515.5%

Again, the reasons for any changes upward or downward must be determined and an estimate made of how these changes might effect the coming year's budget. It is possible to research anticipated increases in various expense categories by seeking opinions about inflation rates from financial advisory personnel on the installation.

Looking at Figure 4, how much have expenses for "Supplies" gone up or down from 1976 to 1977? The chart reveals that costs for supplies have *decreased* by 9.4 percent from 1976 to 1977. Since we have seen that the population of children using the center has *increased* in these two years, we should explore the reasons for this decrease in supplies costs. Were there any supplies left over from the year before? Has the center changed the types or sources of supplies that it is using? By answering these questions, it will be possible to make a better estimate of what to expect next year.

Looking at Figure 4 again, you will notice that the major expense item - salaries - only increased 6.7 percent from 1976 to 1977. This is approximately the amount of the annual pay raise in response to inflation in that year. This means that more efficient use was made of the staff, i.e., since there were more children in attendance, each caregiver took care of more children, but still stayed within the permitted ratios. Methods used to accomplish this are included in the section on *Controlling Major Expenses* in which work force structuring is discussed from a financial standpoint.

PREPARING A BUDGET WORKSHEET

We are ready now to make some estimates for the preparation of the coming year's budget. A simple form such as Figure 5 can be used. To prepare the budget you will want to look at expected changes both in income and expenses. You have a good beginning if you have studied the comparisons of the last two or more years' operations.

FIGURE 5
Income Worksheet

Order Prepared		1977	Percent of Expected Change	Source of Info	1978
	FEES				
9	Daily	$89,848	no change		$89,848
10	Prepaid	31,491	no change		31,491
11	Membership Dues	2,200	no change		2,200
	Gross Income (fees)	$123,539			$123,539
	FOOD SALES				
8	Sales Revenue	$ 15,285		computed	$ 16,338
7	Cost of Food	- 9,314	7%	computed	- 9,966
	Gross Income (food)	$ 5,971		computed	$ 6,372
	TOTAL GROSS INCOME	$129,510			$129,911
	Expense Worksheet				
1	Salaries	$100,141	6.7%	Figure 4	106,850
2	Fringe Benefits	8,283	8.3%	computed	8,869
3	Personnel Office	3,528	0.0%	no change	3,528
4	Supplies & Equipment	3,127	0.0%	no change	3,127
5	Maintenance & Repair	210	13.5%	Figure 4	238
6	Miscellaneous	295	20.4%	Figure 4	355
	Total Expense	$115,584			$122,967
	NET INCOME	$ 13,926			$ 6,944

If, in general, you assume that attendance will remain the same and if the categories of expenses and income seem likely to remain relatively constant, the percentage increase or decrease from 1976 to 1977, for example, probably will be a close estimate of the percent to expect in the coming year. However, any major change whether in fee structure, the rate of inflation, or the installation population who use your center *could* cause the percentages to change.

In the Income Worksheet, you want to ask the following kinds of questions as you prepare your projections:

Fees

Assuming the number of children attending does not change and rates have not been raised, gross income from fees can be expected to remain the same. However, you should consider,

What are the growth predictions for the installation in the coming year?

Has the fee increase that you set up in July caused the attendance to drop in the past three months? Will this drop continue? What happened in the past after a fee increase?

Food

In our child care center the food program is set up as a self-supporting cost center within the center's total budget - the only fees which support the food operation are charges made to parents who wish their children to receive center meals. In projecting gross income for food sales and assuming no change in the number of meals served, we would multiply the cost of food last year by the projected inflation rate for the coming year - which in 1978 was 7 percent - then divide this new cost of food figure by the percent of the total food revenue which food costs made up last year. In 1977, for example, food costs absorbed 61 percent of the revenue taken in from sales. If we assume that this proportion will remain the same, then we can project the food sales revenue which the center must take in during the coming year. In addition, this amount divided by the number of meals to be served will indicate the fee which must be charged for each meal if you are to take in that revenue. The remaining gross income after food costs are subtracted from food sales revenue is the amount the center will have to cover the costs of the cook, as well as small kitchen equipment used in the center. You should consider, also,

Can you cut food costs by using fewer prepared foods? Or, can you use more prepared foods and decrease the hours of a high salaried cook? Have you investigated the cost of having meals catered instead of preparing them at the center?

The first expense item to be estimated on the Expense Worksheet is the cost of salaries.

Salaries

By looking at Figure 4, we can see that this expense category increased last year by 6.7 percent. Increasing the "Salary" category by this same percentage - which assumes that next year's pay raise will be the same as last year and the number of children using the center will not increase significantly - provides an educated estimate for next year. However,

Do you expect to add additional staff?
Replace any employees who resign or retire with lower salaried new employees?
Decrease the size of your staff?
Add another cook?
Eliminate a management position?

Fringe Benefits

Most fringe benefits are based on a percent of gross salary. Therefore, dividing last year's expense in this category by last year's salary expense provides the percentage of 8.3. The estimate for 1978 salaries then is multiplied by this percent to obtain the estimate of $8,869.

Personnel Office

In our preparation of the budget worksheet, the projected personnel office expense for 1978 was left at the same level as last year because this category had declined slightly from the previous year. In addition, a telephone call to that office revealed that there would be no substantial change in their operation which indicated to us that our pro-rated share might remain the same.

Supplies and Equipment

Again, if the number of children is not expected to increase or decrease noteably, you might assume that the amount of supplies needed will remain constant. Because this category also had declined slightly from 1976 to 1977, we made no change in the amount budgeted for 1978. You will, however, need to look at the predicted rate of inflation for paper products and other supplies to see if it is markedly different from the percent of increase or decrease which your past years' comparisons reveal. However, you should consider,

Can you cut costs by purchasing in larger quantities?
Have you compared the variation in cost and quality from different manufacturers or suppliers?
Do you need to replace existing - or purchase additional - major pieces of equipment?

Miscellaneous

What has been the history of repairs in your center?
If equipment is getting older and you cannot afford to replace it, have you increased the amount budgeted for repairs?
Can you afford to consider paying for any travel in the coming year?
Are there any national or local conferences which should be attended?
How many staff members will attend, and how much will it cost?

BALANCING THE BUDGET

In conclusion, when you have finished each projection for both income and expense categories, and your projected Net income (after subtracting expenses) is greater than or equal to zero, you can use the projected budget without planning a fee increase. If the net income was a minus number, you would first look at possible ways to reduce expenses before deciding to increase fees. A point to remember is that when fees are increased, you will usually lose some customers, at least temporarily. Therefore, you must have a great deal of current, valid information. This is discussed more throughly in the section of this module on *Monitoring The Center's Financial Health.* For example, if the level of attendance is just enough to require you to bring in another staff member to keep your ratio below the maximum, a slight fee increase could reduce the number of customers just enough to give you more efficient staff ratios and thereby improve profits if the child/caregiver ratio is kept close to the maximum.

As a final word about budgets, they have two purposes: They force you to consider what you expect to happen in the next period, and they give you a benchmark against which to measure your expectations with the actual events. Our budget is prepared on an annual basis, which is composed of four quarterly budgets. Monthly financial statements are compared with the quarterly budget as a "yardstick" of actual performance versus planned. By keeping track of your center operations, you can catch any possible problems early.

MAXIMIZING CENTER INCOME

Unless a child care center is subsidized by some outside agency for its regular operating costs, its continued operation is *totally dependent upon income from parent fees.* The central problem in operating an unsubsidized child care center is assuring that income from parent fees is not less than the center's expenses involved in providing care and services.

The expected income of a child care center is dependent on several factors, including:

- the center's enrollment or attendance experience
- fee policies that might reduce earnings
- the center's experience with bad debts

A number of factors will have a bearing on the fee policies that you adopt for your particular facility. Major factors are the size and composition of the installation population. An understanding of who needs child care and the kinds of care needed is critical both in designing a program and designing a fee structure which will provide enough money to support the program. For example, if the installation is a senior headquarters or some type of support activity, the majority of children probably will be older. This will mean that fewer children will be using the center during the school year, except on a before and after school basis *but* that the cost per child for providing care will be lower because of the higher staff/child ratio permitted for older children. On the other hand, if the installation is a tactical unit with a lot of younger families and if you are located near an area where jobs can be obtained by young mothers, you may have a larger number of children in families who will be taking advantage of any discount rates offered.

The process of developing and testing fee policies is very individualized and must, of necessity, involve some trial and error. That is, each center director must consider the following kinds of things in making fee-setting decisions:

The number of children of various ages that usually attend the center and the related costs of providing care for each age.

The types of care that the center provides, e.g. full-day only, part day, before and after school, evening care, drop-in care, infant care and the proportion of the total center business that is made up of each type of care offered. Also, the impact of the various types of care on the potential for using the center to capacity during the most hours possible.

The ability of parents to pay for the care.

The going rates for child care in the local geographic area.

The special services that the center may offer which involve extra costs, e.g. meals, escort service, diapers.

Remember, the test of a fee structure is whether it produces the revenue required while still keeping costs to individual families reasonable.

Typical Fee Categories

hourly - A flat hourly rate, usually charged for children who attend a center for less than a full day. Drop-in care or evening care, for example, usually is charged at an hourly rate.

part-day - A set rate for children in care for four hours or less. This fee category frequently is used by programs offering morning-only or afternoon-only programs, or for child care provided for a half day after kindergarten.

full-day - A set rate for full day care. Full-day care usually is defined as care provided for more than four hours a day. The same rate would apply to a child in care for six hours or for ten hours depending, for example, on a parent's work schedule.

family rates - Centers frequently offer a discount on the second, third, and fourth child in the same family who are receiving care, as a cost relief to parents with more than one child requiring care.

sliding fee scale based on military rank or ability to pay - Some centers, particularly those serving socio-economically diverse neighborhoods or centers encouraging this kind of diversity, adopt a 'sliding-fee scale' which takes into consideration a family's income and regular expenses in setting a fee. In unsubsidized centers, it is necessary that there be enough children paying the full rate to balance the income loss from those on a lower payment schedule.

special function rate - Organizations sometimes request the center be open during unusual hours, such as weekends or late nights. In such cases, the organization requesting the service must guarantee to cover operating costs during this period.

overtime rate - Most centers develop relatively high fees, usually for small portions of an hour, which are charged to parents who do not pick up their children on time. These fees are primarily to discourage or prevent abuse of the service.

before and after school rates - Some centers charge a set rate for before and after school care which, in some cases, includes breakfast, a snack and transportation to and from school. Others handle this with an hourly rate, since some children do not need both before and after school care.

infant care rate - Providing care for infants is the most costly kind of care to provide because infant care requires a very low staff to child ratio. For this reason, centers offering such care, which cannot cover the extra costs in other ways, charge a higher rate for caring for infants.

weekly or monthly rates - Weekly or monthly rates often are offered by centers with children enrolled full time. Usually such rates act as a pre-payment incentive and include a discount over the regularly daily rate.

Some Other Fees

extra charge for meals and snacks - Many centers include the cost of meals and snacks in their regular rates. Some centers do not, and have an extra charge for meals. In these cases, children not wishing to purchase a meal bring their own food.

discounts for pre-payment of fees - Whether by weekly or monthly rates or some other system, centers often encourage pre-payment of fees by offering a discount to customers who do so.

extra charge for transportation or escort service to and from center - Transportation is expensive and few centers provide it. Those who do or which provide an escort for children usually have to add an extra charge.

registration fee or membership fee - Some centers, particularly private centers in the civilian community, help to ensure that those parents who enroll children for the fall, for example, follow through with their plans by charging an initial enrollment fee.

diaper and training pants fees - Fees charged for providing emergency diapers or clothing for children when the parents have not provided these items.

late feeding fee - Most centers do not find it desirable or cost-effective to feed children (except infants) at all times of the day. This fee is a preventive type fee used to encourage parents to plan ahead for the feeding of their children.

isolation fee - Also a preventive type fee which is charged when a child becomes ill and the parents cannot be contacted.

Fee Policies That Can Reduce Earnings

Unfortunately, for parents and for concerned child care administrators, there are some very desirable fee policies which can have the effect of reducing maximum income potential of the center. For example, some programs do not charge fees or charge a reduced fee for days when a child is out sick. They adopt this policy based on the fact that the parent has to stay home from work or has to pay someone else to care for the child. The same is true for policies that provide no charge or a reduced fee while the family goes on vacation or to stay with grandmother. State agency assistance payments also are made only for days that a child attends the center.

There are two drawbacks, from the center income point of view, to these fee policies - they involve a loss of income and, even if the center is operating fairly solvently, they reduce the center's ability to *predict* income for any given period. In a center with a large proportion of drop-in care, of course, predicting income that specifically is not possible. In a small center which depends on a certain number of full-time fees to support staff costs, this could be a critical loss.

With the adoption of policies which involve payment for *attendance* only, it is particularly important for the center director to recognize the difference between her/his *enrollment* and *attendance* when budgeting expected income.

Some Methods For Developing Child Care Rates. There are four basic steps in developing a rate structure that will provide adequate income to support your expenses and which will meet the community needs as closely as possible:

> *The first step in designing fee policies and specific rates is to determine what types of rates would best meet the needs of center users.* Our needs have been met with hourly, daily, and weekly rates; prepaid discount rates; family rates; special function rates; and overtime rates.
>
> *The second step is to determine the number of child care hours that have been provided by the center in each category of care for which you are considering developing a fee category.* Reviewing a month's attendance usually is adequate; however, allowance must be made for time of year. For example, when school is in session, a greater portion of the children will be younger, requiring a lower staff/child ratio and the care is, therefore, more expensive.
>
> *The third step is to estimate the amount of revenue required to meet the costs of operation for the same period (on the basis of experience or budgeted expenditures).*
>
> *The fourth step is to try out some possible fees, to see whether they would produce enough income to support the center during a period such as the one that you have identified above.*

Let's try an example. Suppose your center already has hourly rates, daily rates, and a discount pre-payment rate. You may be considering implementing, in addition, a family rate which will provide price breaks to families so that the second and third children will be charged lower rates in each of the already existing fee categories, i.e., reduced daily rate for the second and third child in a family, etc. How could you find out whether this would still provide the center with enough income to survive in the "black?"

Following the steps outlined above, you must determine the expected number of child care hours in each rate category that you want to set up. This can best be done by analyzing your actual experience taken from center records. The information can be set up on a table such as the one on the following page:

Fee Category	Actual Hours Provided By Center		Rate		Revenue
A	B	X	C	=	D
Drop-in (hourly)					
1st child	14,739		*New rates not yet developed*		*Income produced by new rates not yet known*
2nd child	4,834				
3rd child	473				
Daily Rate					
1st child	4,341		*New rates not yet developed*		*Income produced by new rates not yet known*
2nd child	1,419				
3rd child	178				
Prepaid Rate					
1st child	3,457		*New rates not yet developed*		*Income produced by new rates not yet known*
2nd child	802				
3rd child	17				
TOTAL	30,260				(Goal - $15,800)

Column A lists the Fee categories that could be created if you chose to implement a family rate. Column B is the expected number of child-hours which would fall under each new category, based on the analysis of the center's actual attendance by children in those categories during some "typical" month. Column C is the rate column - it is the column in which you will be "trying out" various possible rates to see what their effect would be on the center's income during this "typical" period. Column D will show the revenue which would be produced from each rate category if X number of children were charged Y rate (your "try out" rate) for care. Column D is the result of multiplying Column B by Column C.

Before you "try out" some rates in Column C, you will need to determine the amount of revenue that will be required during that period. Assume that an amount of $15,800 is expected to be required for an average month, based on historical data about operating expenses. That total should be equal to or smaller than the total arrived at by adding up all of the income produced by your "try out" rates - the total of Column D. That is, whatever the rates chosen, they must produce enough income to cover $15,800 in expenses.

Now, let's try plugging in some possible rates. The trial-and-error method can be time consuming, but it will do the job. A more efficient method, if you remember a little bit of high school algebra, is to set up the problem in the form of a simple equation. Just let X be the highest amount you would charge - probably the hourly rate for the first child - and "make up" some discounts that seem adequate, e.g., 15¢ an hour less for a second child, etc.

Let X minus .15 = Drop-in rate for second child

Let X minus .30 = Drop-in rate for third child

Let X minus .15 = Daily rate for first child

Let X minus .25 = Daily rate for second child

Let X minus .35 = Daily rate for third child

Let x minus .05 = Prepaid rate for first child

Let X minus .20 = Prepaid rate for second child

Let X minus .35 = Prepaid rate for third child

The equation can then be set up as follows:

$$14{,}739x + 4{,}834\ (x - .15) + 473(x - .30) + 4341(x - .15) + 1419(x - .25) + 178(x - .35) + 3457(x - .05) + 802(x - .20) + 17(x - .35) = \$15{,}800$$

This multiplies the number of actual child care hours provided by the center in each new fee category by the algebra term for each new rate.

Simplifying the above equation and collecting terms provides the following:

$$30{,}260x - 2{,}274.40 = \$15{,}800$$

$$x = \$.60$$

After the value of x has been determined, the remaining rates can be determined easily. If you find that the rate determined by the equation is too high for your particular situation, then you may have to go back to the equation and reduce some of the discounts and solve the equation again for a new X base rate. Again, trial and error comes into play.

To complete our example, when the equation was worked for the family rate situation, the rates required to produce the $15,800 are shown below. That is, the rates selected in Column C would provide a total revenue of $15,880, or $80 more than the expected requirement.

Fee Category A	Actual Hours Provided By Center B	Rate C	Revenue D
Drop-in (hourly)			
1st child	14,739	.60	$8,843
2nd child	4,834	.45	2,175
3rd child	473	.30	142
Daily Rate			
1st child	4,341	.45	1,953
2nd child	1,419	.35	497
3rd child	178	.25	44
Prepaid Rate			
1st child	3,457	.55	1,901
2nd child	802	.40	321
3rd child	17	.25	4
TOTAL	30,260		$15,880

This family rate scale is, in fact, a sliding fee scale based on the number of children in a family who use the center. Recently in military child care centers, there has been interest expressed in creating sliding fee systems based on military rank or on ability to pay for child care. The process for developing such rates is roughly parallel to the process described above, but more complex in a number of ways. The following pros and cons should be reviewed by centers considering sliding fee scales based on rank or on ability to pay:

- Any sliding scale based on servicemembers' rank alone will be inequitable in its effect since some servicemembers' total household income may include the income of a working spouse, for instance, while other servicemembers may draw upon only one income and be supporting several dependents.

- An obstacle to a rate structure based on rank in a military center is difficulty in determining the rank. In many instances, mothers - wives of servicemembers - bring children to the center and pick them up, but spouses' ID cards (DD Form 1173 - Uniformed Service Identification and Privilege Card) are issued only once in seven years. During that seven years, the member of the Armed Forces could have been promoted several times, but the I.D. card of the spouse would not indicate the new rank.

- As is the case in the family rate system, a sliding fee scale based on rank, or, even, on household income requires that servicemembers with fewer children, higher rank or higher household income subsidize - through higher fees - the child care of larger families, lower ranking servicemembers or lower income households. Unless the difference in the fees paid to the cenis covered from outside funds, i.e., the center is subsidized in some manner, those at the top of the fee scale must pay enough to cover the fees lost from those paying reduced rates.

- A more equitable fee scale - and one which has been used in some civilian subsidized centers - is one in which the scale is based on a household's income after expenses and some other relevant factors. The system adopted in one lower-middle income neighborhood child care center involved a fee scale based on the following six factors: a) total household income, b) major unavoidable and unsual expenses, c) total number of individuals in the household, d) total number of children attending the center from the household, e) hours of center use, f) minimum operating costs for the center.

- Adopting any system which is more equitable than a system based on rank alone, involves the collection, validation, assessment and periodic review of a lot of information from each user of a child care center. The amount of center staff time required for this administrative work could be more expensive than the center could bear. In a drop-in center with a healthy volume of business, it might be impractical to implement such a system.

- If a fee scale is developed which is more reasonable for those of lower rank or lower income, a center can anticipate more users in these categories. If a larger number of the users receive lower rates, the center's income can drop dramatically and disastrously, unless some source of subsidy can be found to cover the costs of center operation.

As can be seen, major considerations in the development of any sliding fee scale are,

Will it be equitable and fair to all who use it?

Will the rates bring in enough money to assure that center operating costs are covered?

Will the paperwork involved create excessive expenses or reduce the center's efficiency?

Is there some possibility that cash lost from reduced rates can be regained through some outside subsidy?

A SAMPLE CENTER'S FEE POLICIES

The description which follows is precisely how our rates for child care were established. Several years ago, the fees were forty cents an hour per child (no discounts were offered based on family size, rank, etc.). There was also a weekly rate system which was poorly controlled - parents paid the fee on Monday and a record of it was written in a loose-leaf notebook, which was not secure and sometimes misplaced - but no receipt was given to the parents.

Prior to this, a "block card" system had existed, but had not been controlled or managed properly, resulting in a huge loss of income. This system had to be discontinued. Because controls and policy enforcement were lacking, parents potentially could purchase a block-hour card in one year, move to another installation for a year, and return to the installation two years from the date of purchase and the card would be honored.

A few years ago - January 1975 - it was determined that a rate increase was necessary because the center, which was supposed to be self-supporting, was operating at a loss. At the same time, many center parents were requesting a rate structure based on family size. As the center director, I had mixed feelings about basing a rate structure on number of children in the family, although I'm aware that many centers - both civilian and military - operate this way. My mixed feelings stemmed from the fact that *only* child care centers - which notoriously operate at a loss - are "expected" to operate in this manner. The commissaries don't give reductions in the price of milk because there are three children in the family; the Exchange doesn't reduce the price of training pants because there are two children in the family; nor does the hospital reduce the price of having a third or fourth child.

But, from a humane position and from the position of one interested in the well-being and growth of children, I felt that if by designing a family rate structure we would prevent one potential neglect situation - in which a family might leave two or three young children unattended in their home because the child care center was too costly - it was worth implementing. In addition, it was the one feature that many parents requested. When a center is operating within a community, it is important to consider meeting the needs and desires of that community whenever possible.

There are many "trade-offs" made in the total operation and management of a center. This was one of the trade-offs we made - a trade-off between some mixed personal feelings and the requests of parents: a family rate structure was designed.

A trial-and-error method was used to determine the rates which would produce the income necessary to operate. Educated guesswork and past records helped. At that time, records revealed the following distribution of hourly usage in the center by families on the installation:

1 child	81 percent
2 children	18 percent
3 children	1 percent
4 children	.11 percent
5 children	.01 percent

Based on these figures and the revenue that was needed for the year - which was computed to be 54 cents per hour per child - the following hourly/daily rates for family care were established:

Children per family	Hourly rate	Daily rate
1 child	$ .60	$ 4.50
2 children	.90	6.50
3 children	1.10	8.00
4 children or more	1.30	9.50

To reduce the impact of the rate increase, a prepaid child care card system was instituted at the same time. These cards, which are sold in advance of center use, provide a specified number of hours, days, or weeks of child care *at a reduced price*. The cards offer convenience - they eliminate the search for cash or a check to pay for child care each time the center is used; parents on limited budgets can buy the cards on payday and know that they have guaranteed child care until the following payday. They also are a "money-saver" for parents who use the center frequently. The cards also can be beneficial to the center by enabling the administration to plan ahead - to a degree - for weekly or monthly income, and to avoid bad debts through prepayment.

The following prepaid child care cards were designed and sold:

1. 20 hours of child care for the first child in a family - cost $11.00.
2. 20 hours of child care for the second child in a family (valid only in conjunction with the first child in the family) - cost $5.50.
3. 20 hours of child care for the third child in a family (valid only in conjunction with the first two children in the family) - cost $3.50.

4. 10 days of child care for the first child in a family for up to 10 hours per day - cost $45.00.
5. 10 days of child care for the second child in a family for up to 10 hours per day (valid only in conjunction with the first child in a family) - cost $20.00.

Unfortunately, in December of that same year, the center again was operating at a deficit. What went wrong? Although a substantial wage increase was directed by the DOD, NAF Salary and Wage Fixing Authority in the Autumn of 1975, the income from the rate projections was expected to cover this wage increase. It did not.

So, once again, back to the drawing boards and the trial-and-error method, but we were better prepared this time because we had kept more accurate records and had more experience in the process.

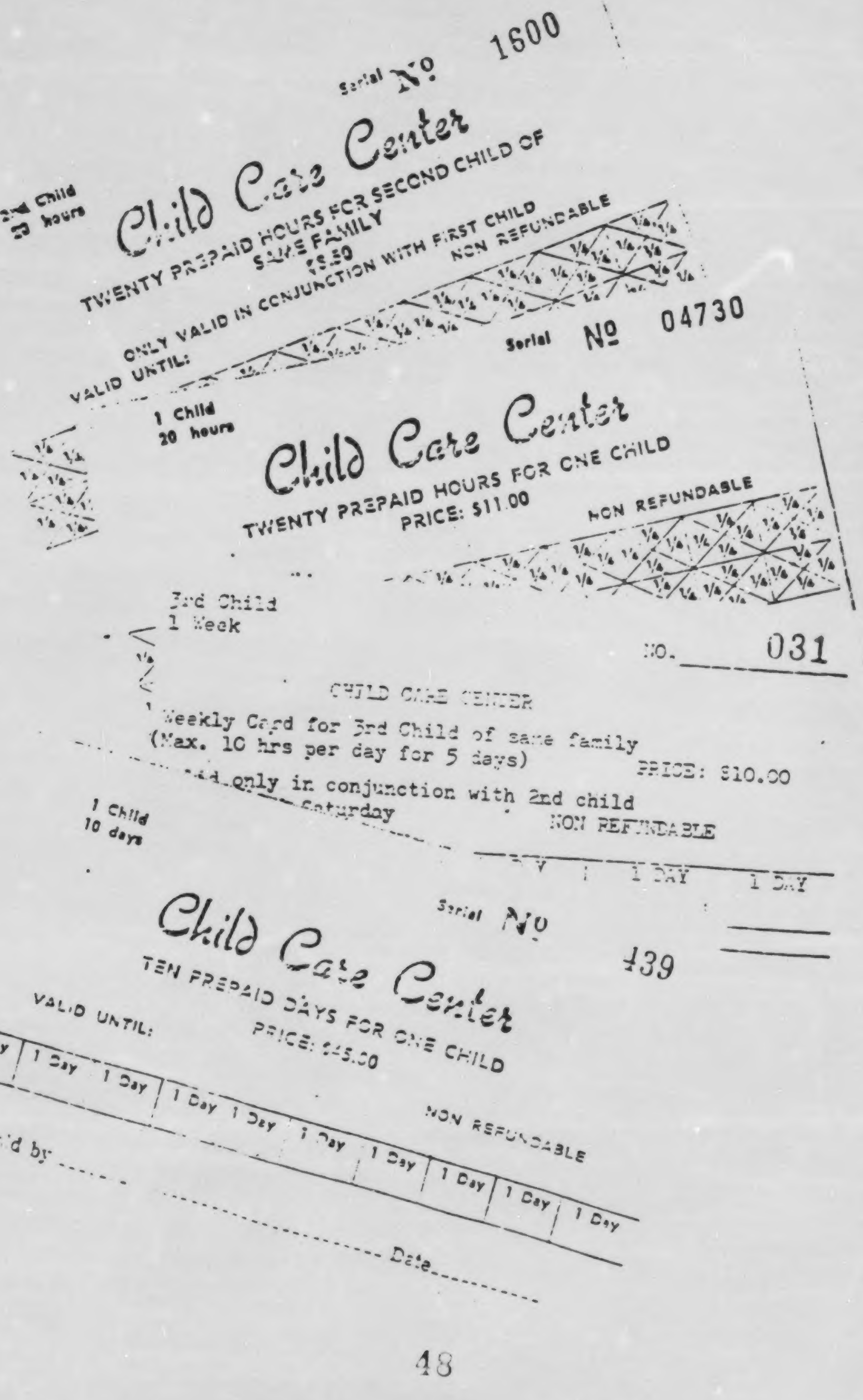
It was discovered that, as a result of the discounts offered through the family rate structure, a basic change in population had occurred at the center. There had been a shift in families with more than one child receiving care, from 18 percent to 23 percent. It was this increase of two or more children in a family receiving care that had caused the revenue to be 5 percent below expenses. Therefore, it was necessary to decrease the discount to those families with more than one child.

In December, 1975, the child care rates were changed to:

Children Per Family	Hourly Rate	Daily Rate
1	$ .60	$ 4.75
2	1.05	$ 8.25
3	1.35	$10.50
4	1.55	$12.05

The prepaid card rates were changed to:

1. 20 hours of child care for the first child in a family - cost $11.00.
2. 20 hours of child care for the second child in a family (valid only in conjunction with the first child in the family) - cost $8.50.
3. 20 hours of child care for the third child in a family (valid only in conjunction with the first two children in the family) - cost $5.50.
4. 10 days of child care for the first child in a family for up to 10 hours per day - cost $47.50.
5. 10 days of child care for the second child in a family for up to 10 hours per day (valid only in conjunction with the first child in a family) - cost $35.00.



Serial № 1600

2nd Child
20 hours

Child Care Center

TWENTY PREPAID HOURS FOR SECOND CHILD OF SAME FAMILY
$5.50

ONLY VALID IN CONJUNCTION WITH FIRST CHILD

NON REFUNDABLE

VALID UNTIL:

Serial № 04730

1 Child
20 hours

Child Care Center

TWENTY PREPAID HOURS FOR ONE CHILD
PRICE: $11.00

NON REFUNDABLE

3rd Child
1 Week

NO. 031

CHILD CARE CENTER

Weekly Card for 3rd Child of same family
(Max. 10 hrs per day for 5 days)

PRICE: $10.00

...id only in conjunction with 2nd child
...Saturday

NON REFUNDABLE

...AY | 1 DAY | 1 DAY

---

1 Child
10 days

Child Care Center

Serial № 439

TEN PREPAID DAYS FOR ONE CHILD

VALID UNTIL:

PRICE: $45.00

NON REFUNDABLE

1 Day	1 Day	1 Day	1 Day	1 Day	1 Day	1 Day	1 Day	1 Day	1 Day

Sold by .... Date..............

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At this same time, weekly cards also were designed to satisfy the needs parents had voiced. The weekly rate is the lowest rate in the child care center because it is narrow in scope - must be used five days of a one-week operating period - and permits maximal planning in staffing the center.

The ten days on the daily card, on the other hand, may be used on any ten days in a three-month period - permitting no advance staffing plan because it is not known on which of the ten days in the three months the center will be used. The daily card is ideal for the parent who works or goes to school only two or three days per week or who may use the center for one full day each week to do errands and shopping.

Four weekly cards are sold:

1. 5 days of child care for the first child in a family - cost $20.00.
2. 5 days of child care for the second child in a family (valid only in conjunction with the first child in the family) - cost $15.00.
3. 5 days of child care for the third child in a family (valid only in conjunction with the first two children in the family) - cost $10.00.
4. 5 days of child care for four or more children in a family (valid only in conjunction with the first three children in the family) - cost $5.00.

A more concise illustration of the child care rates to families using the prepaid cards is:

Children Per Family	20-hour Cards	10-day Cards	One-Week Cards
1	$11.00	$47.50	$20.00
2	$19.50	$82.50	$35.00
3	$25.00		$45.00
4 or more			$50.00

Since that time, it has not been necessary to further increase the rates at the center. However, a constant evaluation and analysis of records does occur to make certain that we always have a firm understanding of the financial shape of the center. Sometimes it is a day-to-day analysis, at other times it is a monthly analysis; but it does and *must* occur regularly and frequently. We have learned through using the forms and techniques in this guidebook how to operate in the "black," and we want to remain there.

General Policies Regarding Prepaid Cards. In order for a prepaid system to work for and not against a center's operation, policies must be established and enforced. Otherwise, control of the system is lost and it becomes unmanageable.

The following policies regarding the purchase and use of prepaid cards were established and are enforced:

Hourly Cards - entitle the parent to 20 hours of child care and are valid only during the calendar month in which purchased. Following the last day of the month, they will, under no circumstances, be honored. No refunds are given for unused cards or portions of cards. The cards are transferable - a parent may sell or lend it to a friend or neighbor.

Daily Cards - entitle the parent to a maximum of ten hours of child care per day for any ten days during a financial quarter of the fiscal year. No refunds are given for unused cards or portions of cards, but these cards also are transferable - a parent may sell or lend it to someone.

Weekly Cards - are valid for a maximum of ten hours of child care per day for any five days during a one-week operating period. No refunds are given for unused days, and the cards are not transferable - may be used only within one family.

Customers purchase the cards at the reception desk, and the cards are presented - in lieu of cash - when picking up children. When parents purchase a card, it is their responsibility to safeguard it. No credit is given for lost, stolen or misplaced cards. It is recommended that parents safeguard cards as they would their money. There are no refunds on any cards, and all cards have expiration dates written on them when they are purchased. The card for the second child in the family is valid only in conjunction with the first child in the family; and, the card for the third child in the family is valid only in conjunction with the first two children in the family, etc. For accounting purposes, the center considers the first child in the family to be the child who remains in the center for the longest period of time. Parents may mix cards or use a combination of cards and cash if necessary. For example, parents may use a daily card for one child who remains in the center for ten hours and a second child's hourly card for the school-age sibling who only is in the center before and after school.

Internal Control of the Card System. For internal control, the cards are sequentially numbered. For ease in identification of the type of card being used or sold, the cards are different colors. When any prepaid card is sold, an entry of that sale is made in a *Prepaid Card Ledger* which is prepared in duplicate. The original of the *Ledger* is forwarded to the Central Accounting Office daily and the duplicate remains in the child care center records.

Date of Sale ___________

Prepaid Card Ledger

Card Number	Name of Purchaser	Type of Card	Expiration Date	Fee Paid

Special Function Rates. Another type of child care rate which is sometimes provided is a special function rate. This would be a rate for some recognized organization on the installation provided on a one-time basis and typically might be high enough only to cover your costs. Costs can be kept to a minimum because the children are accepted only on a reservation basis so you can determine your staffing requirements and costs in advance.

A special rate also might be applied when a unit desires to have the center remain open past normal operating hours. In this case, the parents are charged the normal hourly rate and the unit guarantees at least enough children to cover your costs.

Overtime Fees. An overtime charge is a preventive fee charged for children who are not picked up by center closing time. This fee at our center is one dollar per family for the first 15 minutes beyond closing time - a "grace" period in the event wrist watches and clocks are not synchronized. Thereafter, the fee is one dollar per child in a family per five minutes. This fee was established not only to cover the cost involved in caring for "late" children, but also to serve as a deterrent to those parents who might be tempted to stay an extra half hour at a fabulous party.

In the event of a *bona-fide* emergency, other arrangements can be made if the parents call the center when they are unable to pick up children by closing time. Although the overtime fee charged in case of a bona-fide emergency, e.g., auto accident, may be reduced by the director, the fee nevertheless must cover the cost involved in caring for the "late" child. The cost involved would be the hourly wages plus benefits of the staff who must remain in the center until the parents arrive. If the late pickup results in the staff being paid costly overtime wages, that, too, must be charged to the parent.

Fees for Meals and Snacks. Nutritious meals and snacks are served at our child care center. Parents may choose whether to purchase the meals or not. If the parent elects not to purchase the center meal, a "sack" meal including beverage may be brought from home, or the center will provide milk to the child with "sack" meal for a fee. Every child in the center - except infants who are fed according to individual schedules and needs - is fed a snack at snack times, mid-morning, and mid-afternoon and evening, and the parents are charged for it. The rates for food service in the center are:

Meals:	Breakfast	35 cents each
	Lunch	45 cents each
	Dinner	45 cents each
	Milk	10 cents each
Snacks:	Morning	free of charge
	Afternoon	15 cents each
	Evening	15 cents each

Late Fees:

A. charged when a parent brings a child just after 1/2 hour prior to mealtime, but expects a meal;

B. charged when a parent says that the child is not to be fed but arrives to pick the child up more than an hour after the lunch or dinner hour. The center does feed the child and charges the parent for the meal and a late fee; or

C. charged when a parent brings a child with a "sack" lunch after the center has completed its mealtime and a caregiver must sit with the child because no child is left unattended in the center.

We do give parents the option of purchasing the center meals. This is another "trade-off." We know the center meals which are planned by a dietitian are wholesome, and not all sack meals are nutritionally balanced, but we also are aware that the price of the meals might be prohibitive to some parents using the center. If they were forced to purchase meals, in addition to paying for child care, they might not be able to afford to bring their children to the center.

As a result of giving parents the option of purchasing center meals, we believe that the food services offered by the center must be a self-supporting entity within the center operation - a separate cost center. In other words, no other fees collected in the center will subsidize the food service operation. Thus, parents, who choose to purchase only child care to maintain a family budget, do not subsidize those families who elected to purchase meals. This means that the fees collected for meals and snacks must cover the cost of the food and supplies purchased, small pieces of kitchen equipment, minor repairs, and the wages of the cooks. Major equipment purchases or major repairs are not covered by the income received from food sales.

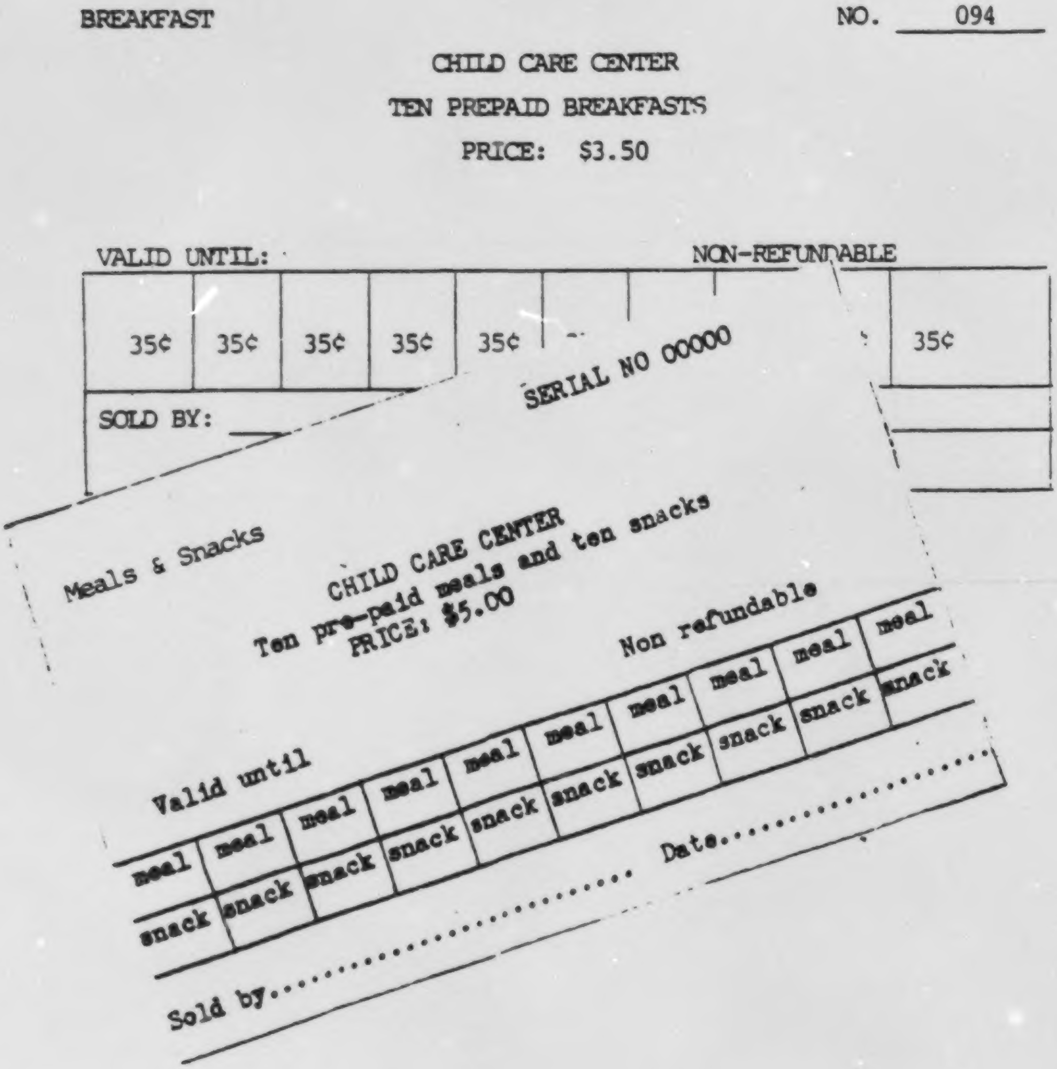
Although parents are given a choice of buying center meals, there is no option given on the purchase of snacks. Another "trade-off." The option was not given for two reasons:

> Many parents send "junk" foods - empty-caloried foods - as snacks rather than wholesome foods.
>
> It could be unmanageable in a brief snack time to distribute many different snacks to many children. To ease the burden of purchasing snacks, the morning snack is provided free of charge to all children. Therefore, if parents are concerned about the cost of food, their children could be in the center from the early morning hour until mid-afternoon and incur no food fees, if they have sent sack lunches with beverages for the children.

In order for the cooks to have an *estimate* of the total number of meals to prepare in this drop-in center, children eating center meals must be in the center one-half hour before mealtime. The word *estimate* is stressed because in a drop-in center the total number of meals served is not known until after the meals have been eaten. Additional charges - late fees - as described above are charged when this lead time has not been given. Hungry children who inadvertently are brought to the center after the cutoff time for meals, are fed, but an additional 25 cent charge is necessary. These late charges are necessary to help defray the wages of the cook and the caregiver who must prepare, serve and sit with children who are not being fed at the same time as other children.

Late charges can be avoided by parents. We do recommend that parents request that their children be fed if they are uncertain when they will return. If they return before mealtime, they are not charged for the meal. It has been found that an additional charge or penalty fee for allowing parents this freedom is not necessary because there always seem to be other children arriving who need to be fed and at present, it is not costing the center anything. And, it is preferable to have children eat at the same time - from both the child's and a managerial point of view.

Meal/Snack Cards - prepaid cards for food service also are sold by the center. They are offered strictly as a convenience for parents - especially those using prepaid child care cards - who choose to pay in advance, rather than paying daily. No reduction in food rates is offered. One card entitles the parents to ten meals - lunch or dinner - and ten snacks for any or all children in a family; the other card entitles parents to ten breakfasts. The cards are valid for a financial quarter of the fiscal year, and no refunds or credits are given once cards have been purchased. The cards are transferable and may be sold or given to a friend or neighbor.



BREAKFAST NO. 094

CHILD CARE CENTER

TEN PREPAID BREAKFASTS

PRICE: $3.50

VALID UNTIL: NON-REFUNDABLE

35¢ 35¢ 35¢ 35¢ 35¢ 35¢

SOLD BY:

SERIAL NO 00000

Meals & Snacks

CHILD CARE CENTER

Ten pre-paid meals and ten snacks

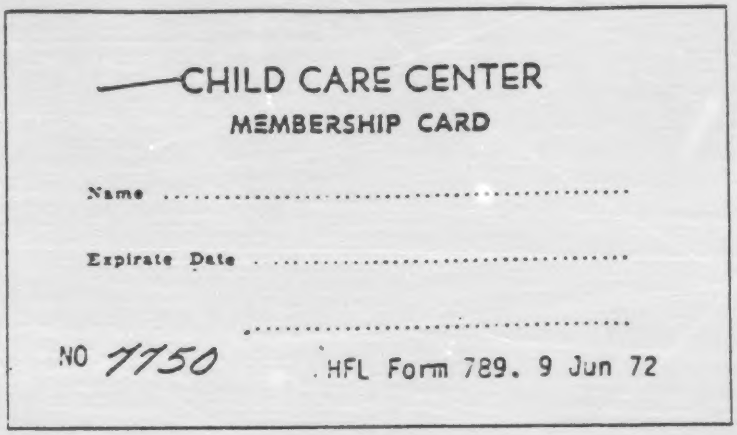
PRICE: $5.00

Valid until Non refundable

meal	meal	meal	meal	meal	meal	meal	meal	meal	meal
snack	snack	snack	snack	snack	snack	snack	snack	snack	snack

Sold by.............................. Date......................

Membership Fee. A membership card must be purchased by users of our child care center. The cost of the card is $3.00 a year or 50 cents a month per family and must be purchased the first time the center is used. The membership card is shown to the receptionist each time the child is signed into the center. The fees collected from the sale of membership cards are used to cover the cost of implementing and processing the *Health Information and Permission Card System.*



——CHILD CARE CENTER

MEMBERSHIP CARD

Name ....

Expirate Date ....

....

NO 7750 .HFL Form 789. 9 Jun 72

The membership card is issued to the family only after receipt of payment. The cards are numbered sequentially for control and accountability. The sale of the card is recorded in duplicate in a *Membership Card Sales Record.* The "original" of the *Sales Record* is forwarded to the Central Accounting Office daily, and the duplicate remains in the child care center for reference. The *Sales Record* has columns for the number of membership cards sold, the first and last name of the parent (military sponsor), the expiration date, and the fee paid.

Membership Card Sales Record - Date ____________________

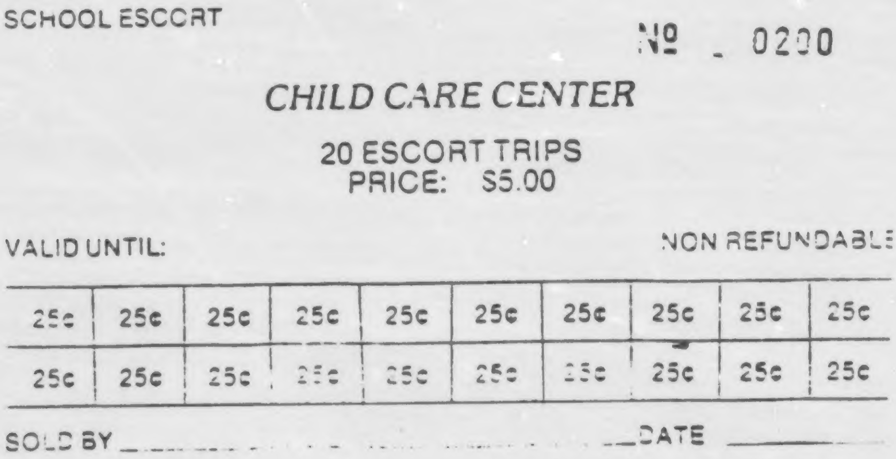
Card Number	Name of Purchaser	Expiration Date	Amount Paid

Escort Fee. As a service to parents who are unable to take and/or pick up their preschooler or school-age children to or from local schools, a caregiver from the child care center escorts and supervises children between the center and the schools. This service is provided to parents on a daily basis - for children of working parents - or on an occasional or drop-in basis, as needed by parents. During the time the children are in school, parents do not pay child care rates. A fee of 25 cents per trip to and/or from the schools is charged for providing this service.

This fee also was computed on a "break-even" basis. The school escort service is self-supporting. The fee collected will pay the hourly wages of the caregiver who escorts the children. To illustrate: One caregiver, whose hourly wage is $3.00 including benefits, escorts 12 elementary school children. The fee is obtained by dividing $3.00 by 12, or 25 cents. It may or may not take the caregiver a full hour for the escorting process - depending on messages to be relayed to school teachers, helping children with coats, lost lunchboxes, etc. But over a period of time, this fee results in a cost-effective operation.

This fee schedule originally was designed for a *walking* escort - walking with the children between the center and the schools. However, we recently obtained a government vehicle to transport these children. As a result, we may have to re-examine this fee structure. Caregivers still will be paid wages to accompany children in the vehicle, but it would seem that the caregiver's time involved in this task would be shortened considerably. If so, the fees charged to the parents would be decreased.

School-Escort Card - A prepaid school escort card also is sold by the center. Like the meal/snack card, it is offered strictly as a convenience for parents who choose to pay in advance. There is no reduction in the charge for the escort service by purchasing a card. The card is sold for $5.00 and entitles the parent to 20 escort trips. The card is valid for a financial quarter of the fiscal year and no refunds or credits are given once a card has been purchased. However, the card may be sold or given to a friend - it is transferable.



SCHOOL ESCORT

№ 0200

CHILD CARE CENTER

20 ESCORT TRIPS
PRICE: $5.00

VALID UNTIL: NON REFUNDABLE

25¢	25¢	25¢	25¢	25¢	25¢	25¢	25¢	25¢	25¢
25¢	25¢	25¢	25¢	25¢	25¢	25¢	25¢	25¢	25¢

SOLD BY ______________________ DATE __________

Diaper, Training Pants, Extra Clothing Fee. If the supply of disposable diapers that parents bring to the center for their child is exhausted or if parents don't bring diapers for their child, the center must charge for providing them. A fee of 15 cents per diaper is charged.

We do recommend that a change of clothing also be brought to the center for older children who may have accidents. Many parents comply with this request. Other generous parents - aware of our unique needs - donate outgrown clothing to use for children who have no emergency clothes with them. As a result, we have not yet had to establish a fee for this service. However, if it were necessary to purchase new clothing to use for the inevitable accidents, a fee to at least cover the cost of the clothing would have to be established.

Isolation Room Fee. The isolation room fee is another preventive type fee. The fee is charged to parents who cannot be contacted when their child becomes ill. If a child becomes ill (too sick to be with other children, yet not sick enough to be admitted to a hospital), the child will remain in the center's isolation room with a caregiver until the parents arrive.

Because one caregiver must remain with the child in the isolation room during the entire time, the salary expense (hourly wages plus benefits) is charged to the parent.

The Philosophy Underlying Our Fee Policies. An operating philosophy governs the rate structure which a center incorporates. We have attempted to provide a child care center which meets the needs of the community at a price the community can afford and still remain self-supporting. The child care rate structure is based on average attendance, not on enrollment. But, inequalities exist - the necessary "trade-offs."

Our basic rate structure (philosophy) has single child and/or infrequent customers of the center subsidizing multi-child-families and/or regular customers. Such a philosophy is rather pervasive in this country in the transportation industry and entertainment industry, for example.

Another inequality/sudsidy existing under the current rate structure is that *parents of older children subsidize the care of families with younger children.* Specifically, children in the center basically are grouped according to maturation and developmental level. According to the staff/child ratio requirements, the younger the child, the more costly the child care. Obviously, an infant gets more individual care for the money than for instance, a seven year old - all other things being equal.

If we had designed a rate structure in December, 1975, based on ages of children, the fees would have been 90 cents per hour for children under two years of age, 60 cents per hour for toddlers and 45 cents per hour for older children. This generally would have placed the burden of the most expensive child care on the younger families, which are the lower-ranking - enlisted and officer alike - families because they are the ones most likely to have very young children and also are the ones least likely to be able to afford higher rates.

Not only does the basic philosophy govern the child rate structure, but it also governs other fees or rates within a center.

We operate under the theory that the costs of any service which is provided within the total operation of the center must be paid by those customers who use that service. That is, each small part of the larger center operation is to be self-supporting or functioning at a "break-even" level - those whose children eat center meals must pay the fees necessary to support a food service program; those who don't pick their children up at closing time must bear the costs of the center remaining open to care for their children; those whose children need diapers must bear the cost for their purchase.

A center operating essentially on parent fees must generate money to cover costs, and we believe that parents should pay the cost of the services they use, but they should not have to subsidize a service which they choose not to use.

AVOIDING BAD DEBTS

An allowance for bad debts is, unfortunately, a reality in any business. You probably will not always collect everything your program earns. The impact will vary from program to program and will depend, to a great extent, on the center director's implementation of fee policies. If fee collection policies are not working, they need to be changed. Bad debts have been responsible for many programs adopting policies requiring prepayment for child care.

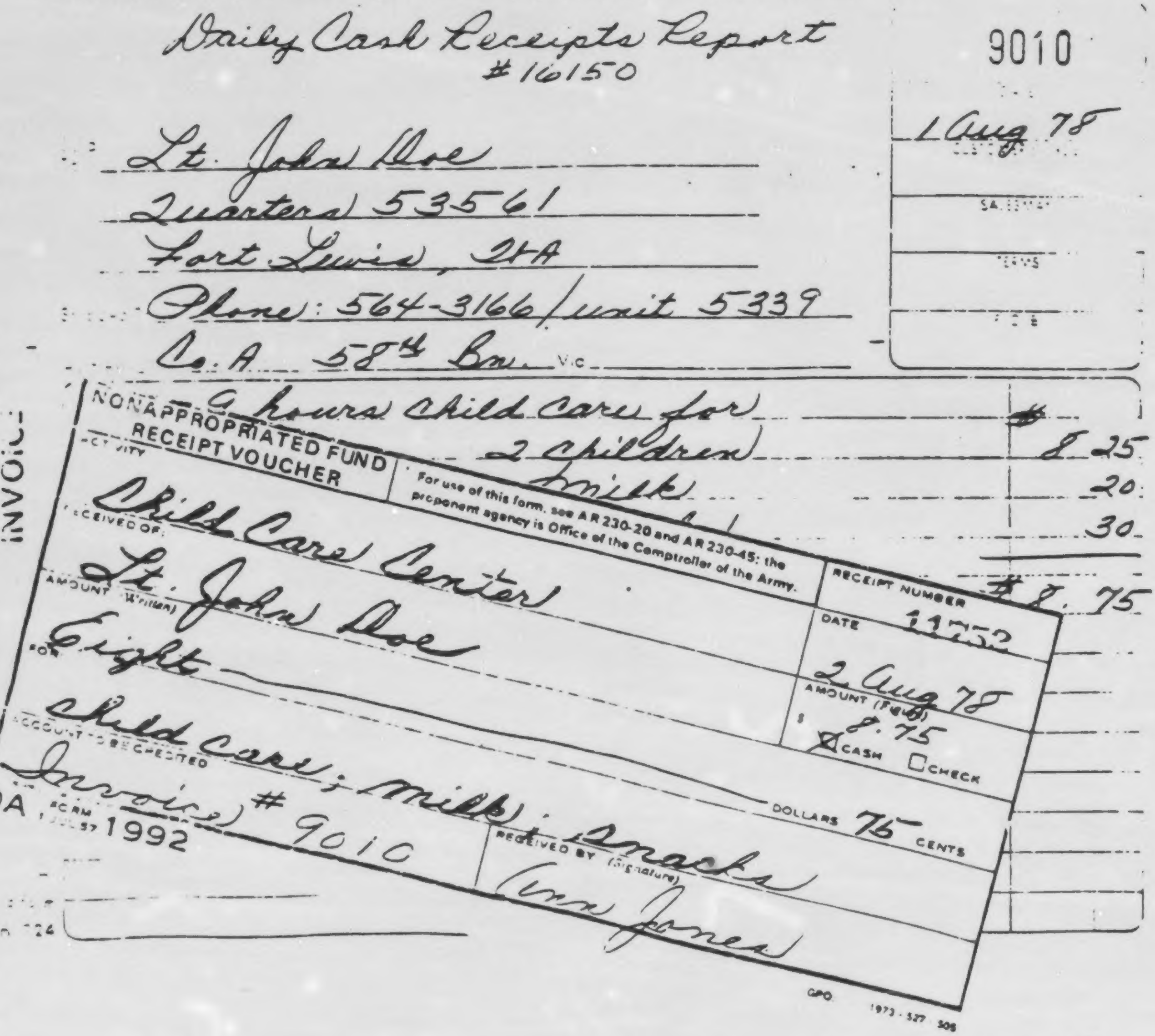
A SAMPLE CENTER'S FEE COLLECTION POLICIES

Pay as you go, with a few exceptions - The child care center is not an accounts receivable agency, which literally means there are not supposed to be any charges incurred. All child care and other fees are to be provided on a "pay-when-received" or "pay-in-advance" basis. But, in the world of "real" families, the fact must be faced that you cannot *keep* the children if the parents arrive at the center without money, for whatever reason, to pay for the care their children have received. Therefore, "I.O.U." policies and methods of controlling and managing them are vital.

If a parent finds it necessary to charge child care services, an invoice (prepared in duplicate) must be completed. It must contain sufficient information to identify and locate the individual who charges and specify the exact charges incurred.

When the invoice has been completed, the parent also is informed that he/she may not use the center again until the charge has been paid.

The invoice original is forwarded to the Central Accounting Office, and the duplicate remains in the child care center records. When the charge is paid, the receipt of payment form is completed in triplicate which includes the number of the invoice on which the charge was written. The original is given to the parent, the duplicate sent to the Central Accounting Office and the triplicate becomes a part of the permanent center records.



Daily Cash Receipts Report
#16150

9010

1 Aug 78

Lt. John Doe
Quarters 53561
Fort Lewis, WA
Phone: 564-3166/unit 5339
Co. A 58th Bn.

INVOICE

9 hours child care for	$
2 children	8.25
milk	.20
	.30
	$8.75

NONAPPROPRIATED FUND RECEIPT VOUCHER

For use of this form, see AR 230-20 and AR 230-45; the proponent agency is Office of the Comptroller of the Army.

ACTIVITY: Child Care Center

RECEIVED OF: Lt. John Doe

AMOUNT (Written): Eight

FOR: child care; milk; snacks

ACCOUNT TO BE CREDITED: Invoice # 9010

DOLLARS 75 CENTS

RECEIPT NUMBER: 11752

DATE: 2 Aug 78

AMOUNT (Figures) $ 8.75

☒ CASH ☐ CHECK

RECEIVED BY (Signature): Ann Jones

DA FORM 1 JUL 57 1992

GPO 1973 - 527 - 305

In addition, an Accounts Receivable Ledger which indicates current charges is maintained on a daily basis in the child care center.

Accounts Receivable Ledger

Month of ____________

Date	Name	Balance Forwarded	Accounts Receivable	Paid on Account	Balance Due	Date Paid	Invoice Number

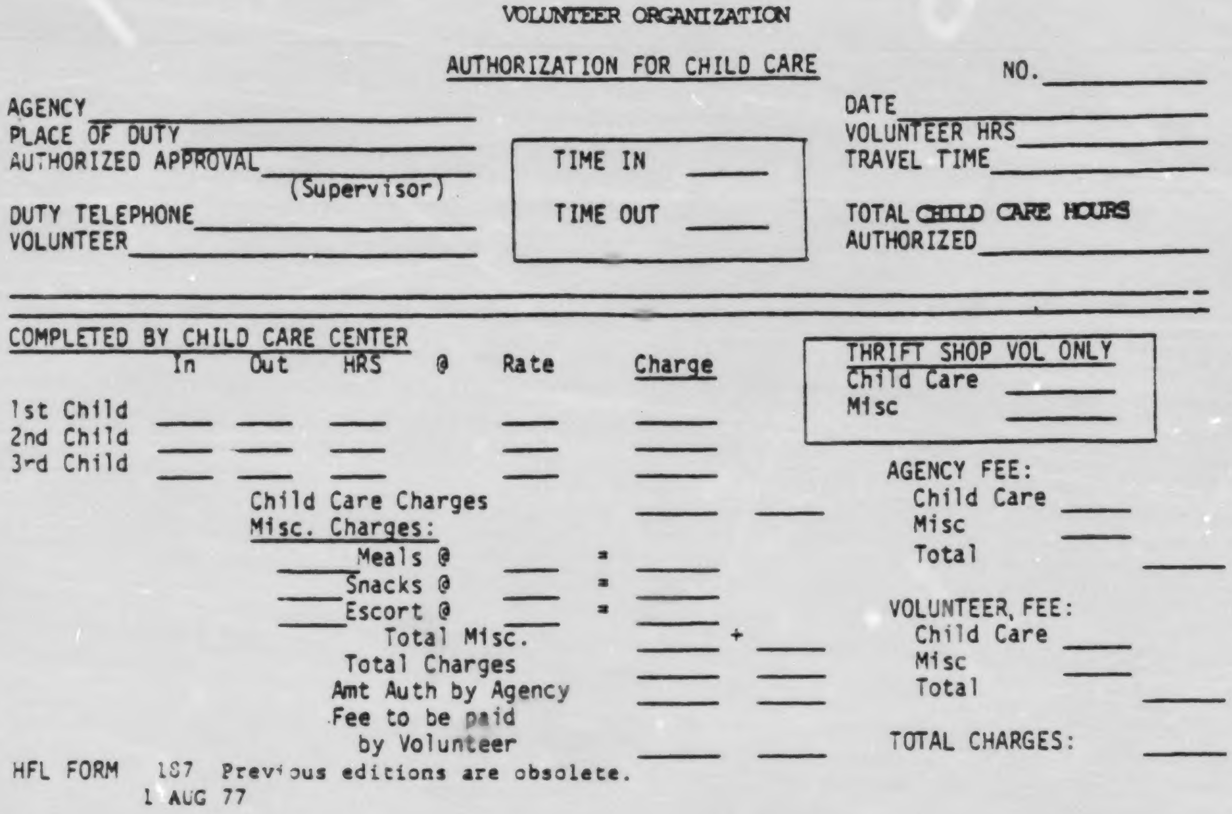
As you can see, it includes the date of the charge and the name of the person who charged. There is a "Balance Forwarded" column because the ledger is maintained for a month and a new page is started at the beginning of another month. If there is a carry-over from one month to another, this column is required. The accounts receivable column is the amount of the charge. There is a column for "Paid on Account" because some parents have needed to make partial payments; when a partial payment is made, a "Balance Due" column is then required. When the account is paid in full, the "Date Paid" and "Invoice Number" (on which the charge was written) columns are completed.

This ledger is maintained by the child care center and a copy of the ledger indicating the balance outstanding is sent to the Central Accounting Office by the fourth working day following the close of each month's business. The child care center is responsible for contacting those individuals who have not paid their charges by the end of the month. The Installation Morale Support Fund assists in collecting delinquent accounts.

Exceptions For Organizations And Units - In order to cooperate with, provide service to and meet the needs of the community and its organizations, a system also has been designed which permits these installation agencies to pay "after-the-fact," on a monthly basis, for the center care provided to the children of their members. While their children are receiving care, the members may be providing volunteer services or attending special functions. Policies and methods of managing this system are necessary, also. Forms have been designed in cooperation with these organizations which have a need for child care services.

Volunteer organizations on the installation use the following form.

The forms are kept by the agency using volunteers, and each agency is responsbile for numbering their forms in numerical sequence. Forms are color-coded to simplify indentification of the different agencies using the forms (Army Community Services - yellow; American Red Cross - pink; Thrift



VOLUNTEER ORGANIZATION

AUTHORIZATION FOR CHILD CARE

NO.__________

AGENCY__________
PLACE OF DUTY__________
AUTHORIZED APPROVAL__________
(Supervisor)
DUTY TELEPHONE__________
VOLUNTEER__________

TIME IN _____
TIME OUT _____

DATE__________
VOLUNTEER HRS__________
TRAVEL TIME__________
TOTAL CHILD CARE HOURS AUTHORIZED__________

COMPLETED BY CHILD CARE CENTER

	In	Out	HRS	@	Rate	Charge	
1st Child	___	___	___		___	___	
2nd Child	___	___	___		___	___	
3rd Child	___	___	___		___	___	
Child Care Charges						___	___
Misc. Charges:							
___ Meals @					___ =	___	
___ Snacks @					___ =	___	
___ Escort @					___ =	___	
Total Misc.						___ +	___
Total Charges						___	___
Amt Auth by Agency						___	___
Fee to be paid by Volunteer						___	___

THRIFT SHOP VOL ONLY
Child Care _____
Misc _____

AGENCY FEE:
Child Care _____
Misc _____
Total _____

VOLUNTEER, FEE:
Child Care _____
Misc _____
Total _____

TOTAL CHARGES: _____

HFL FORM 187 Previous editions are obsolete.
1 AUG 77

Shop - blue; etc.). The forms are printed in triplicate with carbon interleaf. One copy is retained by the agency when authorization is issued to a volunteer. This permits the agency to monitor closely the use of volunteer hours. The remaining two copies are brought to the center by the volunteers when they pick up their children. The center forwards one to the Central Accounting Office and retains one copy. This copy is picked up on a regular basis by the agencies responsible for expenditures and control of funds for volunteer services. The duplicate copy can be matched with the copy retained by the organization when authorization for child care was issued.

All blank spaces in the top third of the form are completed by the issuing agency: Form number, the date the child care is authorized, the name of the individual entitled to child care, the agency responsible for payment of the child care, the agency where volunteer services were provided, the time the individual started and stopped volunteer work, the total hours the volunteer worked, the travel time authorized (between the child care center and the agency - usually 15 minutes each way), the total child care hours authorized, signature of the supervisor or other responsible person designated by the agency to sign the child care authorization, and the signature of the volunteer to whom the child care authorization is provided for volunteer services.

The receptionist of the child care center completes the bottom two-thirds of the form when children are picked up. All pertinent information in reference to charges is completed. Volunteers are informed by the agencies that any difference in charges between authorized time and total time children are in the child care center will be paid by the volunteer at the time the children are picked up.

Similiar forms which permit uniform procedures for the use of the child care center by members of other organizations have been designed.

To effectively manage this "after-the-fact" system through which organizations reimburse the child care center for care provided to children of volunteers or members of the organization, a ledger has been set up.

ORGANIZATION ACCOUNTS RECEIVABLE LEDGER

Name of Organiation ______________________________ Month __________________

Date	Amount
______________	______________
______________	______________
______________	______________
______________	______________

This ledger is maintained by the child care center with a separate page kept for each organization. A copy of the ledger indicating the total accounts receivable per organization per month is forwarded to the Central Accounting Office by the fourth working day following the close of each month's business. The Central Accounting Office submits an invoice to and receives payment from each organization.

SETTING ASIDE RESERVE AND EMERGENCY FUNDS

The term "cash lag" refers to what happens when a business, in this case, a child care center, does not receive money immediately upon delivering a service and billing. For example, state welfare departments frequently lag well behind the billing date.

"Cash flow" is a term used to describe the amount of income that you will need to be able to meet your payroll and pay bills on a regular basis. If someone fails to send you money when you expected it, and you need to receive it before you can pay your staff, then you have a "cash flow" problem. Most child care programs have had to find a way to accumulate some funds to be used as a revolving fund or a reserve account referred to as working capital from which they borrow to pay bills. Different programs handle this in different ways, but all programs have to do this to exist.

Fort Lewis' Reserve Account. With the beginning of each fiscal year, the child care center has a clean financial "slate" - everything starts anew. There is no reserve of money carried over from one fiscal year to the next, so the beginning of a new fiscal year may be compared to starting a center from "scratch." It is, however, a somewhat more desirable position because financial and attendance records from past years are available and can serve as guides for the new fiscal year.

We have found that it is wise to make very few, if any, purchases - except for emergencies - during the first quarter of a fiscal year. Hopefully, the purchase of all major and most minor equipment and supplies was accomplished at the end of the former fiscal year with profit made in that year. The income you receive during the first quarter of the new fiscal year should enable you to meet staff wages and related expenses and also should permit you to begin building a "nest egg."

If the budget which you prepared is functioning as planned, the "nest egg" should continue to grow during the second quarter, permitting you to loosen the reins somewhat on spending policies and perhaps to begin replenishing some minor supplies.

If during the first quarter, however, there was very little, if any, profit indicated on your financial statement - or worse, if your income did not meet your expenses - a thorough evaluation or analysis of the budget and center operations must take place early in the second quarter. Look at what might have caused this financial problem:

Are fees set too low?

Have hourly staff wages increased by a higher percentage than anticipated?

Has the center been overstaffed?

Has there been a major shift in the ages of children using the center - from perhaps predominantly five year olds to infants?

Is there any way to cut costs and maintain present child care fees or must child care fees by increased - or is a combination of both (cutting some expenses and slightly increasing fees) necessary and possible?

If a change is necessary for financial solvency, it probably is best implemented during the second quarter. By making the necessary changes at this time, there are two fiscal quarters remaining to offset any losses suffered and to earn some money for the purchase of needed equipment and supplies.

At the beginning of the third quarter with one half of the year's operation completed, another evaluation should be done. By looking at the center's records and profitability for the first two fiscal quarters, you have a guide on which to base the level of profitability for the remaining two quarters of the year. How much profit can you reasonably expect to have by the end of the fiscal year? With that estimated figure calculated, a complete list of major and minor equipment and supplies needed for the center should be compiled. This "center dream list" should include everything and anything: the "must-haves" - as well as the desirable purchases - the "nice-to-haves."

Toward the end of the third quarter, if the center's level of profitability has continued to increase as predicted, it is time to begin spending the "nest egg" or reserve account. Priority is given to the equipment and supplies on the "must-have" list.

Early in the fourth quarter, the remaining "must-haves" should be purchased. Keep in mind that the "must-have" list should include the minor supplies to carry the center through the first quarter of the next fiscal year - toilet paper, tissues, crayons, paper, crib sheets. When the "must-have" list is exhausted, purchasing of the "nice-to-haves" should begin. The funds available for the "nice-to-haves" will be dependent on the center's level of profitability.

During the last month of the fiscal year, a weekly analysis of the center's financial status may be necessary to enable you to be aware of your earnings and to know how much money may be spent on the remaining "nice-to-haves." As a result, the center budget can be zeroed-out (all earnings spent) prior to the end of the fiscal year.

Emergency Funds. A self-supporting center which operates essentially on parent fees often has little, if any, money in the budget to support the emergency care of children. Increasing the number of children in a drop-in center necessitates increasing the number of caregivers to be in compliance with required staff/child ratios. Adding caregivers is costly. "Free" care of children simply does not exist - the money to pay staff wages must be obtained somewhere.

However, military families - like other families - do have emergencies when child care is needed desperately. This fact was recognized by many organizations on our installation - both those who saw the need and those who had funds to support the families in need. As a result, an emergency care funding system was established which enables the center to provide care and services to any child - *No child or family is ever turned away for lack of funds.*

Emergency child care may be authorized and funded for military families in any real emergency, including child abuse and neglect cases where funded child care would be valuable in reducing the problem of child abuse and neglect. Referrals for child care services are designated by the:

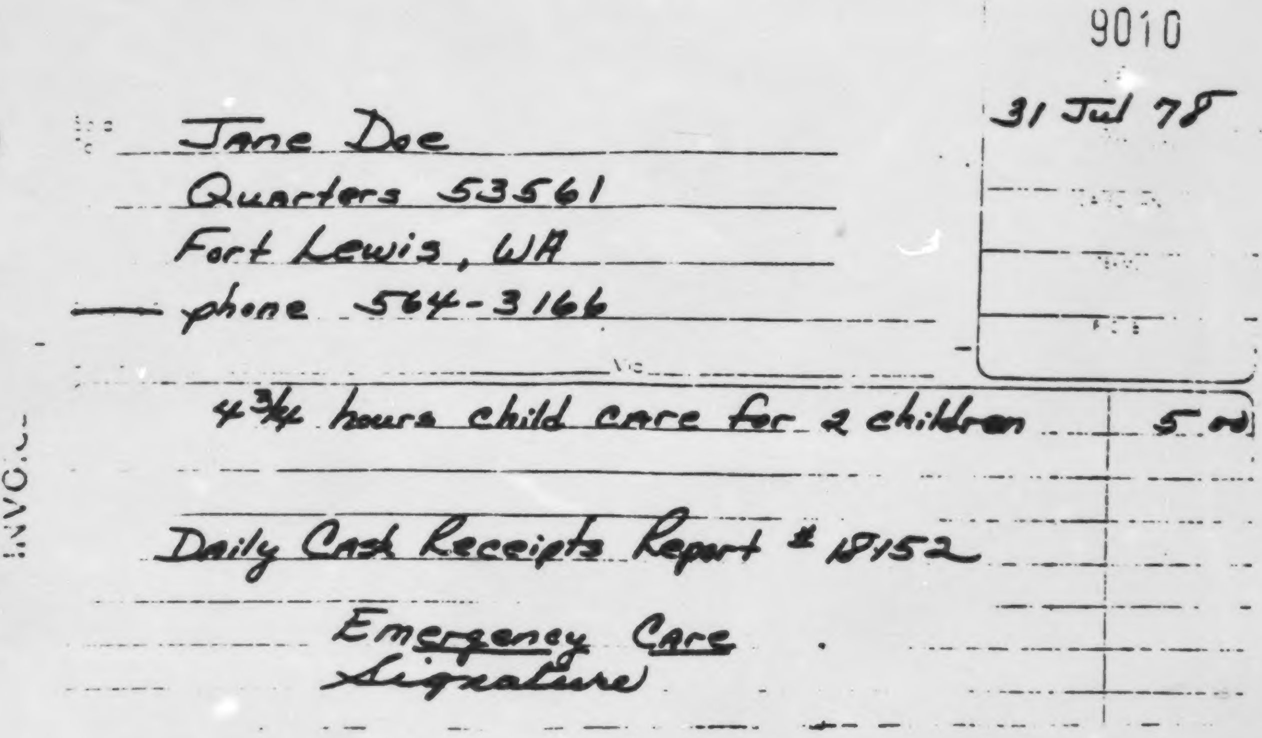
(1) Child Protection and Case Management Team

(2) Community Health Nurse

(3) Juvenile Office of the Law Enforcement Command

(4) Child Care Center Director

When a child has received emergency care in the child care center, an invoice (prepared in duplicate) is completed. The words "Emergency Care" are written on the invoice and it is signed by an administrator of the child care center.



9010

31 Jul 78

Jane Doe
Quarters 53561
Fort Lewis, WA
phone 564-3166

4¾ hours child care for 2 children 5 00

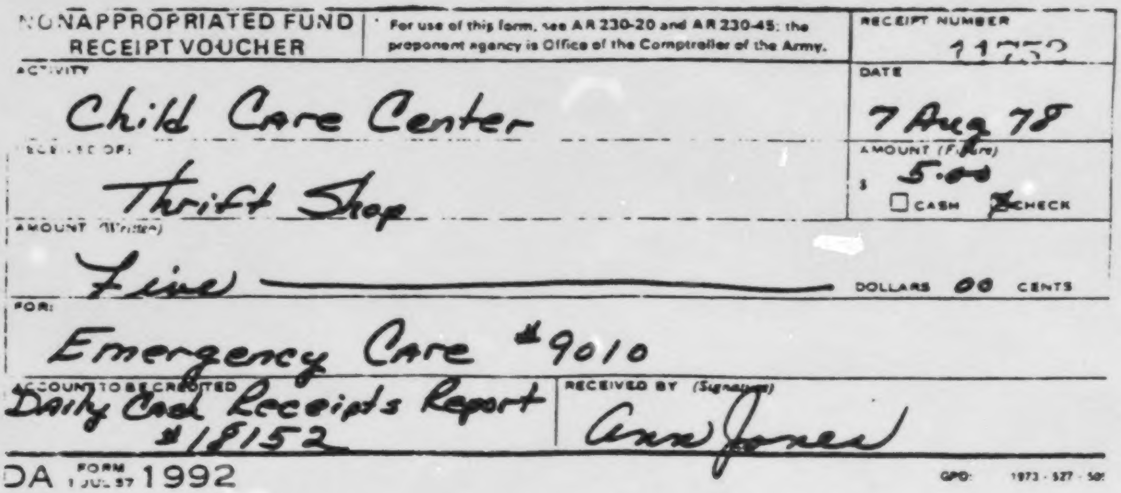
Daily Cash Receipts Report # 18152

Emergency Care
Signature

The invoice original is forwarded to the Central Accounting Office and the duplicate remains in the child care center records.

At the end of each month, the director of the center compiles a list of the dates the emergency care fund was used and the total cost involved. The identity of the families who required the care is not revealed. This list is sent on a rotating basis to one of the funding organizations for reimbursement. In other words, if there are several organizations willing to pay for emergency care, the list is sent to Organization I in Month I, Organization II in Month II, etc. Sometimes units have established funds to pay the emergency care needed by a member of the unit. Funding organizations have included wives clubs, thrift shop, various units, and groups of concerned members of the community.

When a check is received for reimbursement of emergency care, a receipt of payment form is completed in triplicate which includes the numbers of the invoices on which the emergency charges were written. The original is given to the funding organization, the duplicate is forwarded to the Central Accounting Office and the triplicate becomes a part of the permanent records of the center.



NONAPPROPRIATED FUND RECEIPT VOUCHER	For use of this form, see AR 230-20 and AR 230-45; the proponent agency is Office of the Comptroller of the Army.	RECEIPT NUMBER 11752
ACTIVITY Child Care Center		DATE 7 Aug 78
RECEIVED OF: Thrift Shop		AMOUNT (Figures) $ 5.00 ☐ CASH ☒ CHECK
AMOUNT (Written) Five DOLLARS 00 CENTS		
FOR: Emergency Care #9010		
ACCOUNT TO BE CREDITED Daily Cash Receipts Report #18152	RECEIVED BY (Signature) Ann Jones	

DA FORM 1 JUL 57 1992

GPO: 1973 - 527 - 50

IDENTIFYING EXTRA SOURCES OF INCOME

One way a center can lighten the burden of child care expenses is through "in-kind" contributions, which are *non-cash* resources donated free of charge to a program. In-kind contributions which are common to military child care centers operating as non-appropriated fund activities include free use of a building, utilities, local telephone service, insurance, and building maintenance. Other in-kind contributions that may be available are volunteers and donations of time and labor, goods, and services.

Donations of funds to assist with the expense of operating a center also may be available through local United Way or other local fund-raising campaigns, fund-raising efforts by private associations on the installation, government appropriations for specified purposes or for special populations, and occasional special gifts.

To lighten the burden of child care expenses, you can piece together contributions from a variety of sources. (See *Installation Resources Available to Military Child Care Programs* section of this Guidebook).

Our child care center has implemented and enriched its program with various types of assistance.

Volunteers - Volunteers in the center have included:

Parents of children in the center and other interested men and women without children or whose children are grown who help out in the center but don't provide "professional" services - help with child care, sew draperies, repair equipment.

Persons with training, talents, or interest in specialized areas who enjoy sharing their knowledge - a ballerina, actor, a "bread-dough" artist, a guitarist.

Professionals who are not seeking regular employment but enjoy providing services to stay in touch with their profession - services which the center would otherwise want or have to pay for - teachers, nurses, secretaries, social workers.

Professionals who are employed elsewhere but who donate their professional services because they're aware of the needs of children - physicians, social workers, dentists.

Students - junior high school through college - who need practical experience in relation to coursework or aid in making a career choice, as well as those who simply are interested in children.

The benefits of volunteers who work in the center can be realized only if there is an atmosphere of cooperation in the center in which volunteers can work well alongside hired staff. One way of having a successful and smooth-running volunteer program which enriches the center is to supplement paid staff, not replace them. Although this does not cut costs directly, it may do so indirectly. For example, a volunteer aiding a caregiver in a classroom lightens the caregiver's load, which may increase job satisfaction and decrease rapid staff turnover, which, in turn, cuts hiring and training costs of the center. And, perhaps more importantly, the use of volunteers in this manner lowers staff/child ratios which enable children to receive more individualized care and attention.

Students - Students who use the center as an observation site or for practical experience include child care specialists, day care aids-in-training, nursing students, psychology students, physicians serving residencies, in addition to various junior and senior high school classes. Students from vocational-technical schools also have become involved in our program. Through this program, students studying carpentry or electricity have assisted in renovation or constructed needed equipment - climbers, storage shelves and cabinets, playhouses, toy appliances - designed by center staff. Because this is considered a class work project in which students participate in a practical learning experience, there is no labor charge, but the center provides the construction materials.

C. E. T. A. Employees - Another dimension of both youth and adult involvement is the center's participation in programs under the auspices of the Comprehensive Employment and Training Act which funds jobs for the unemployed. The center provides employment and training of underqualified caregivers; the students receive a stipend while contributing their enthusiasm and special skills to the center's program. Like volunteers, the CETA workers do not replace, but are used in addition to, paid caregivers to improve the quality of the center program. (Other sources of in-kind labor might be available through similar programs: VISTA, WIN, Work-study students, Foster Grandparents Programs).

Child Day Care Cooperation Program - This program, sponsored by the Home and Family Life Department of a local vocational school, is offered at no cost to the center. It:

Provides professional child care coordinators who visit our center bi-weekly to assist in staff training; demonstrate skills or techniques; lead discussions; provide observation, counseling, and consultations for staff and parents; help with parent involvement programs; and assist the director with planning and operation.

Provides short courses through the vocational school which are open free of charge to center staff and at a minimal fee to parents.

Provides educational materials to staff and parents - pamphlets, guides and newsletters - at no cost.

Provides certain instructional materials for use by center staff at cost.

Community colleges or universities also might be willing to provide similar kinds of assistance.

Fund Raising - As a non-appropriated fund activity, the staff of the child care center cannot solicit any donations. However, there is no regulation which precludes the center director from presenting an orientation to any organization on the installation describing the status, conditions and needs of the center.

If an organization is recognized as an installation private association, it may conduct fund-raising events on the installation with the approval of the installation commander. Therefore, a private association which is aware of center conditions and needs might choose to have a fund-raising event (bake sales, car wash) to benefit the center. Or, it may donate some of the funds gained from a larger event - such as a bazaar - held to provide welfare monies to many activities on the installation.

If an organization chooses to donate funds, supplies or equipment to the child care center, it can do so with command approval. Any donations received or fund-raising efforts conducted must meet the criteria established by service and local regulations. It always is important to obtain a legal interpretation from the installation legal office in such matters.

Our center, in adherence with regulations, has benefited from the receipt of money, supplies, equipment, labor and talent offered by private associations on the installation. Private associations and unit sponsorship of various rooms in our center has been instrumental in materially assisting and providing needed talent, interest and funds that are not available from other sources. This sponsorship program fosters parent and community involvement, as well as assisting to improve and upgrade the environment in that room or in the center.

Our center does not receive any funding or assistance at the present time from United Way or the U.S. Department of Agriculture's Child Care Food Program or Special Milk Program For Children. Many other military centers are now participating in the Department of Agriculture's Child Care Food Program described in more detail in the section which follows, *Controlling Major Center Expenses*.

Attendance-Building Programs - Another more subtle form of increasing revenue which we have used successfully are attendance-building programs for children. These programs offered free of charge to those children receiving care in the center include:

Tasting Parties - a weekly event which exposes children to new, uncommon or cultural foods and experiences with food.

Movie/Days/Evenings - weekly films, complete with a popcorn and juice snack, are an important resource which can stimulate children's imaginations and give them insight into their world - in addition to being fun. Some parents may not even have a real need for child care on movie day, but they bring the child to the center, because she or he enjoys the films.

Cooking Days - another weekly event; children never seem to tire of preparing and eating something they have concocted themselves.

Birthday and Holiday Parties - special days are very important to children, and parties add sparkle to the every-day program. We have a birthday party one day each month in honor of that month's birthday-children. Parties also are held in connection with special holidays. Our older children even "ring in the New Year" at a New Year's Eve party complete with games, hats and noisemakers. Although we don't usually care for a large number of 12-year-olds, we see many at this special event.

Field Day - an annual celebration climaxing the summer program.

Puppet/Magic Shows - special occasional treats presented by professionals.

Picnic Days - children enjoy planning for and eating outdoors - even if it's only on the playground.

Career Awareness Programs - bi-weekly programs which are non-sexist, fun-filled explorations of and exposure to the variety of occupations available to people: visits by fire fighters, police officers, gymnasts, librarians.

Drama/Music Days - occasional presentations by adult thespians and musicians who involve the children - acting, trying-on stage costumes, "playing" a "real" musical instrument - are special and fun for the children.

These attendance-building programs are publicized widely - announcements in the daily bulletin and installation newspaper, as well as the center's parents' bulletin and monthly newsletter and posters in the center.

Although attendance building and increasing income in a drop-in center also increases expenses - adding more children necessitates paying additional caregivers - once the center has reached its break-even point, the added income exceeds the added wage expense which produces profit. See *Monitoring The Center's Financial Health* in this module.

CONTROLLING MAJOR CENTER EXPENSES

The regular and predictable expenses involved in operating a child care center vary widely in the civilian child care market, depending upon the legal status and organizational affiliations of the center. For example, many child care centers are set up as private not-for-profit corporations sponsored by churches and make use of a portion of a church building, for example. In many such cases, the church's General Fund absorbs the costs of the facility and utilities and some administrative salaries. In these situations, the center program does not have to include among its regular monthly expenses the cost of rent, utilities and some salaries. In private, for-profit centers, on the other hand, the owner/operator frequently carries a mortgage on the center facility and must cover the expenses of mortgage payment, utilities and maintenance, as well as administration, from parent fees. Military child care centers more closely resemble the example of the church-sponsored center in which the General Fund absorbs some of the fixed costs of operation.

A convenient way of looking at the costs of operating a child care center is by looking at the kinds of costs for which you plan when setting up a budget. Expenses or costs for which you must plan consist of "fixed costs," "variable costs" and "optional costs." This section looks at some ways to control costs by careful management practices and the use of available resources.

UNDERSTANDING DIFFERENT KINDS OF EXPENSES

Fixed Costs

Expenses which continue at a fixed level regardless of how many children attend the center are called "fixed costs." Included are rent, utilities and the costs of essential equipment and administrative staff. Military child care centers have a considerable advantage over most civilian centers in that many of the fixed costs are paid from Appropriated or Non-Appropriated funds which support the overall facilities on an installation. The following fixed costs necessary in the operation of a military child care center may be provided from Appropriated funds:

rent or use payment for the child care facility on the installation

light, water, heat, and phone expenses

fire prevention and safety equipment costs

Other non-reimbursable support for fixed costs may be received from the Installation Morale Support Fund:

insurance costs for the center and its personnel

accounting services

purchasing and contracting services

Therefore, fixed costs paid by a military child care center may be limited to personnel costs required for center administration and maintenance. The costs of the center director's salary, janitorial and food services would fall into this category. At our child care center, which has a capacity of 260 children, fixed personnel costs include the salary of the center director, assistant director, program/training supervisor, desk receptionists, cooks and janitor.

Variable Costs

Costs over which managment has some control and which vary with the number of children in care are called "variable costs." If your attendance - and therefore your income - decreases, your fixed costs consume a higher percentage of your earnings. In this case, it is in the area of variable costs that the slack must be taken up. Therefore, every effort must be made to keep variable costs as close as possible or below the budgeted percentage that you projected for these costs. In case of income fluctuations, if your variable costs are not adjusted downward, you are in trouble.

The most common mistake in child care is to consider salaries as fixed costs. Salaries must be variable costs, and payrolls must be trimmed when income goes down or in order to prevent income from being wasted.

Other variable costs are costs for employee fringe benefits; the costs for supplies necessary to provide care for a fluctuating number of children; costs for the necessary replacement of toys and play equipment over time; the costs for routine painting and maintenance of the center; and the cost of food for meals and snacks for varying numbers of children.

Again, military child care centers have an advantage over most civilian centers in that the costs of center repairs may be provided from Appropriated Funds set aside for the maintenance and repair of installation facilities.

One area in which the military system of funding may not cover necessary facility expenses is in the *replacement* of major capital equipment such as commercial dishwashers, stoves or large playground equipment. The costs of such necessary items must be budgeted as variable costs.

Optional Costs

Those budgeted expeditures that you make only if everything has been going as planned - buying a desired piece of play equipment; sending staff to conferences - are examples of what are called "optional costs." If you don't receive the amount of income you projected, you cannot make all of the budgeted expenditures. "Optional costs" are the first expenditures to be curtailed in the event of decreasing income.

CONTROLLING EXPENSES BY USING PART TIME AND INTERMITTENT STAFFING

A child care center's major product is a service - the care of children. Therefore, the major expense in providing child care is the salaries of the personnel who provide the service - the caregivers and support personnel. Since in most centers, personnel costs make up at least 80 percent of the expenses of the operation, *the efficient management of personnel is the key to controlling center expenditures.*

In this module we are discussing staffing from a financial management point of view - not in terms of employee qualifications and personnel policies. The key to a financially efficient workforce for a "drop-in" center is flexibility. That means, you must keep full-time staff to a minimum and rely on part-time and intermittent - "on call" personnel. It would be terrific and much easier from a mangement viewpoint if you could have all full-time caregivers, but this would be disastrous from a financial point of view. You simply can't afford to have full-time staff scheduled to work if you don't know how many - if any - children are going to be in any group/room in the center.

Just as the children are "dropped-in" and "picked up," the caregivers also must "drop-in" and "drop-out." You have to be able to adjust the size of the workforce rapidly to respond to changing numbers of children during the operating day. One military officer called this, "the toughest management position on the installation," because, he said, "You essentially are hiring and firing people all day long - every day." And, that is precisely what does happen.

Many people believe that it is not possible to hire "good" caregivers without guaranteeing them full-time positions. We have not found this to be true. Perhaps, it is because we do hire many military dependents - wives, sons and daughters - who may not be able to secure full-time positions in the civilian marketplace; perhaps it is because they can walk or ride the post shuttle-bus to work rather than buying a second car - which might be necessary if they worked in town; or perhaps they simply do not want a full-time position. We are not certain of the reasons, but we do know that we have had no problems recruiting staff for relatively unpredictable part-time work as caregivers in the child care center. An additional benefit of this part-time status: working with children eight hours a day is physically, mentally and emotionally exhausting. It is a rare person who can perform at his or her best with children for an eight-hour period of time.

Your full-time staff requirements will depend largely on the size of your center, the number of hours per day and days per week you are open, and the number of predictable full-time children for whom you provide care. At our center, about 30 percent of the child population is predictable, full-time. The work schedule for our "core" staff - supervisors, receptionists, head teachers, and assistants who are full- or part-time - remains relatively unchanged from week to week. However, the number of hours that full- or part-time teachers work and their specific schedules can be changed, if necessary, in accordance with civilian personnel policies of the installation. We sometimes have found it necessary to make such changes in "core" staff schedules, for example, during the Christmas holidays when the number of children receiving care tends to decrease.

As for our "intermittent" or "on-call" staff, with a little thought and some experience, it has been possible on our installation to manage the workforce of "intermittents" so they are able to anticipate about when they will be called to work and for how many hours. Our work schedules for intermittent employees are prepared at least one week, and preferably two weeks, in advance. The days of the week and the times of day during which they should consider themselves "on-call" are scheduled. See *Intermittent Work Schedule.* If they are at home and available to come in when they are on this stand-by status, they are seen as reliable staff and probably will be called on frequently and accumulate more hours than those who are not home when called. It is important to note, here, that the legality of scheduling intermittent employees is subject to policy interpretation. It is recommended that you check your installation/service policy regarding this matter.

Intermittent Work Schedule

Date: 22-27 May

Names of Intermittent Caregivers	Mon	Mon Eve	Tues	Tues Eve	Wed	Wed Eve	Thurs	Thurs Eve	Fri	Fri Eve	Sat	Sat Eve
Ann	C			C	C		C			1830	C	
Tom		C	C		C		OFF	OFF	C			C
Carol	1130		C			C	C			C	C	
Betsy	C		C		C			C	C			C

On the *Intermittent Work Schedule*, there is a line for each intermittent caregiver's name, followed by each day and evening of the operating week. The letter "C" following the name indicates the caregiver is "on-call" at that time - either day or evening. In fairness to the caregivers, and to enable them to make plans in their personal lives, we do not expect them to be "on-call" both day and night within the same 24-hour period - for example, Ann is on-call during the daytime on Monday, but not on Monday evening. Nor do we schedule them for both *weekend* evenings - Friday and Saturday evenings - which is the time that many want to socialize. In scheduling, we attempt to stagger day and evening calls.

If an intermittent employee requests time-off - chooses not to work on a particular day for personal reasons - we simply write "OFF" on that day or evening. When a "core" employee requests time-off, the "core" caregiver must be replaced by another person. This usually is an intermittent, who then is scheduled to be at the center at a certain time, rather than by being "on-call." On the sample intermittent work schedule, you can see that Ann is scheduled to be at work at 1830 hours on Friday evening to replace a "core" caregiver.

Our policy is that when an intermittent caregiver is called-in, a minimum of two hours work is guaranteed. In fact, working only two hours when called-in is rare; on the average an intermittent caregiver will work four to five hours when called-in. The number of children in each age group in the center is monitored every hour to assure compliance with minimum staff/child ratio requirements. When it occurs that the number of children and staff in a room is exceeding or about to exceed the minimum ratio, an intermittent staff member is called-in. This method of monitoring staff/child ratios and being alerted to a need for more staff is described in the section on *Monitoring The Center's Financial Health* in this module.

When interviewed for employment, intermittent employees are told that they are:

to be available as required - day or night, weekday or weekend.

to report to work as fast as possible after being called; but they *must* be in the center within 45 minutes. (The average time that it takes for on-call staff to arrive is 20 minutes).

not guaranteed any number of hours per pay period; but they are guaranteed a minimum of two hours work once they are called.

used simply on a "need" basis and that their hours may vary from week to week and day to day.

Intermittent Staff Records. On the following pages are samples of records used in conjunction with the intermittent (and "core") staff of the center.

The desk receptionist is responsible for staffing the center according to the adult/child ratios established by regulation for each age group. There are special forms, *Record of Calls to Intermittents*, to be completed by the desk receptionist after the *Intermittent Work Schedule* is posted and as caregivers are called to come to work. When the *Work Schedule* is posted, the receptionist partially completes a form for each day of the week - filling in the date and the name of the caregivers on-call for that date and their phone numbers. The top portion of the form indicates those caregivers on-call during the day; the lower portion, those on-call for that evening.

This form remains near the telephone, and when another caregiver is needed in the center - determined by an increase in the number of children - the receptionist calls someone listed on this form. The receptionist randomly selects the caregiver who is called; in other words, the person at the top of the list is not always the first caregiver called. We will attempt to call a caregiver no more than three times, which gives the caregiver more than one opportunity to be called in case the line is busy or he/she is in the shower and doesn't hear the telephone ringing.

As each call is made, the time of the call is placed in the appropriate column on the form. For example, looking at the sample form, Ann was called at 0800, but her line was busy. Because a caregiver was needed, the receptionist tried to call Carol at 0810, but there was no answer - so Tom was called at 0815 and he answered the phone, which is indicated by the check-mark to the left of Column 1. At this time, the receptionist notes in the "Remarks" Column where Tom will work in the center. Within five minutes, another caregiver was needed and Ann was called again at 0820. She was contacted, again indicated on the form by the check-mark to the left of Column 2. Another call was placed to Carol at 0840, but there still no answer, and another caregiver was called; at 0900, when yet another caregiver was required, Carol was called for the third - and last - time, and "no answer" was written in the "Remarks" Column. When the caregiver arrives for work, the receptionist enters the time in the "Time-In" Column.

Record of Calls to Intermittents

Date 31 July 1978

	TIME CALLED			ARRIVAL	
NAME/PHONE NUMBER	1	2	3	TIME -IN	REMARKS
Day Ann 964-9388	Busy 0800	✓ 0820		0845	Infants
Tom 581-0168	✓ 0815			0900	Toddlers
Carol 584-7611	NA 0810	NA 0840	NA 0900		no answer
Betsy 383-2974					

Evening Susan 964-5725					
David 631-3888					
Cheryl 964-2136					

This form is noted and filed by the director after each day's operation. It permits the director to be aware of the length of time it takes for caregivers to get to work when they've been called and the availability of each individual intermittent caregiver. These records aid in providing information and making decisions related to counseling, scheduling, promoting, or firing employees.

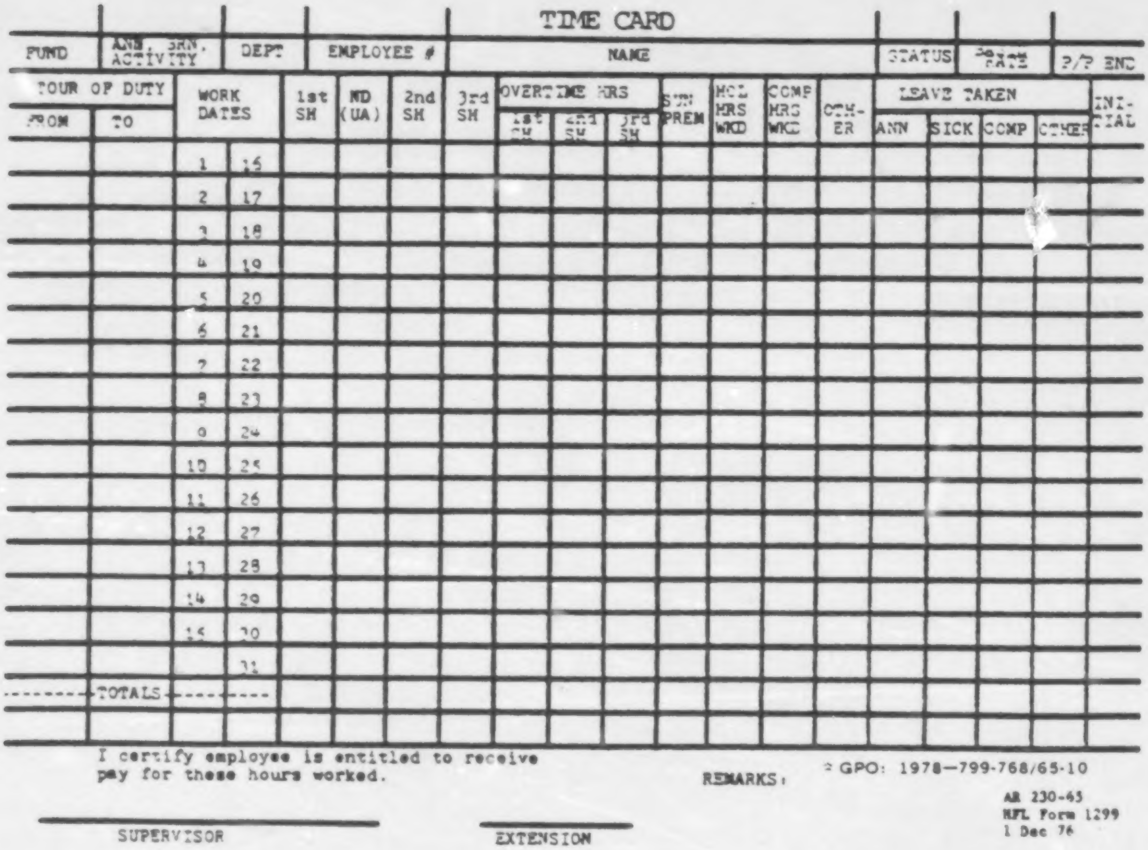
For payroll purposes, employees in the center sign in and out on the *Employee's Time Form*, entering their complete name, the time they start work (Time in), and the time they finish work (Time out), the number of evening hours worked by part- or full-time employees who are paid a night differential fee (in N.D. Column), the total hours worked, and they initial the form.

EMPLOYEE'S TIME FORM (Must be completely filled in)

DATE ______________

	Last name	First name	Time In	Time Out	N.D.	Total Hours	Initials

From the information provided on this form, the assistant director of the center completes a *Time Card* for each employee which is forwarded to the Central Accounting Office for processing the center payroll.



TIME CARD

FUND	ANN. SRN. ACTIVITY	DEPT	EMPLOYEE #	NAME	STATUS	RATE	P/P END

TOUR OF DUTY		WORK DATES		1st SH	ND (UA)	2nd SH	3rd SH	OVERTIME HRS			SUN PREM	HOL HRS WKD	COMP HRS WKD	OTHER	LEAVE TAKEN				INITIAL
FROM	TO							1st SH	2nd SH	3rd SH					ANN	SICK	COMP	OTHER	
		1	16																
		2	17																
		3	18																
		4	19																
		5	20																
		6	21																
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		10	25																
		11	26																
		12	27																
		13	28																
		14	29																
		15	30																
			31																
TOTALS																			

I certify employee is entitled to receive pay for these hours worked.

REMARKS:

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AR 230-65
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SUPERVISOR

EXTENSION

We have discovered that this system works best for the center as well as for the Central Accounting Office. When caregivers completed their own time cards, the handwriting was not always legible, they had problems at times using military time of day, they were not always aware of night differential payment, and generally had difficulty completing the time card. These and other problems were solved by using the *Employee's Time Form* in conjunction with the time card.

The 'official' record of hours worked and wages paid for center employees is maintained by the Central Accounting Office. However, it is advisable for the center also to maintain an 'unofficial' record of *Employee's Time and Wages*. This information is recorded in a standard ledger in the center; the figures are obtained from the employees' paychecks prior to distribution.

EMPLOYEE'S TIME AND WAGES RECORD

Pay Period	Employee's Name	Emp. No.	Hourly Wages	Hours Worked			Leave Used		Holiday Worked	Over Time	Nite Diff.	Gross Pay	Net Pay	Leave Accrued	
				Shift #1	Shift #2	Shift #3	Ann.	Sick						Ann.	Sick

This ledger enables the center administration to understand and maintain control of this major expense. It also may provide answers to the many questions relating to paychecks which the employees always seem to have - maintaining an 'unofficial' record eliminates telephone calls to the Central Accounting Office for answers.

CONTROLLING EQUIPMENT COSTS

Major pieces of equipment for a child care center can be very costly. There is not much that can be written to help defray the initial cost of equipment. But, once the equipment is purchased, the life of the equipment can be extended considerably through a regular schedule of preventive maintenance and repair - tighten bolts, sandpaper chipped edges, apply a fresh coat of paint.

It is helpful to maintain dated checklists for each room/area in the child care center. When completed at regular intervals, it is easy to determine the equipment which needs to be repaired, repainted, or replaced. Each center obviously must compile its own checklist - dependent on the equipment it has. We maintain a checklist for each room used by children and the playground, in addition to checklists for the reception area, kitchen, laundry, staff lounge, offices, hallways, and grounds. A sample checklist for the infant room follows.

When the checklists have been completed, the director must consider whether to repair or replace the item. It sometimes proves more costly in the long run to repair a piece of equipment several times when eventually it will have to be replaced. This decision must be weighed carefully. When the decision has been made, the director follows through on repairs or replacement. It is helpful to keep lists of reputable people who do repairs and supply/equipment catalogues on hand.

INFANT ROOM

Checklist For Repairs/Replacement

Date: ______________________

Completed by: ________________

Item	Repair	Repaint	Replace (How many)
Cribs (give number)			
Walls and Floors			
High Chairs (give number)			
Refrigerator			
Hot Plate			
Adult Chairs			
Room Dividers			
Infant Seats			
Record Player			
Baby Bouncers			
Blankets			
Sheets			
Other (list)			

We maintain a card file for keeping records pertaining to maintenance. The file is divided according to rooms/areas in the center with a separate card for each major piece of equipment in that room or area.

Equipment Maintenance Record

Item: ______________________ Date Acquired ______________ Cost: ______

Center Location: ____________________________________

Purchased from - Company: ______________________

Sales person: ____________________

Telephone: ____________________

Manufacturer: ____________________________ Warranty: YES ___ NO ___

Expiration Date: ______

Date of Service	Type of Service	By Whom	Cost (if any)

Records such as this can help you decide whether an item should be repaired or replaced, which manufacturer's products appear to have a long life in your center, and which equipment should be included for purchase in next year's budget.

Equipment Inventory. As an activity of the Installation Morale Support Fund, an inventory of child care center equipment is maintained by the Fund with a copy kept in center files. The center director is required to sign for all equipment in the child care center.

Equipment is inventoried according to one of three categories:

> *Controlled Expendable* - items which cost less than $100 and more than $15 with a life expectancy of one year.
>
> *Non-expendable* - items which cost in excess of $100 but less than $500 with a life expectancy of more than a year.
>
> *Fixed Assets* - items costing over $500. These are depreciated monthly.

An on-site physical inspection of the child care center inventory is conducted by a disinterested officer at least twice a year - or upon change of hand receipt holder, e.g., director of the center or fund custodian. Any item on the center inventory which becomes unserviceable must be turned in to the Morale Support Fund.

CONTROLLING THE COSTS OF FOOD SERVICE

Aside from the mechanics and any curriculum reinforcement involved with the serving of food, the management of food service is an important consideration in the financial operation of a child care center. Institutional equipment - if required or necessary - can be very costly, as can food preparation, supplies, and maintenance. We consult with dietitians for assistance in fighting inflation without skimping on the nutritional needs of children. In spite of efforts to keep costs low, there have been instances when it became necessary to increase the fees paid for meals and snacks. We prefer to increase the price rather than skimping on the food served to children.

On the budget worksheets in the *Preparing A Budget* section of this module, the Food Sales Revenue is separated from other income. The three items included in the budget breakout which are related to food service are Food Sales Revenue (fees collected for food service), Cost of Food (purchase price of food and supplies used in the food service), and the Gross Income from food. From the Gross Income, the cooks' wages must be paid in addition to the amount for the purchase or maintenance of food service equipment before we can find the net income from food service.

Although no one likes to bring up the subject of pilfering and waste, they can be financially disastrous to a food service program. Besides giving careful consideration to the cooks you hire and having a locked food storage area, a plan outlined by Cherry, Harkness and Kuzma has been helpful to us:

1. *One of the best methods of preventing pilfering is to speak of the possibility openly, letting your staff know about the importance of trust, honesty, and non-wasteful habits.*
2. *Make it clear, upon hiring an employee, that pilfering will result in immediate dismissal.*
3. *Establish a method of inventory control, checking foods that are purchased against foods that are used. Such a control system is valid only if kept up daily.*
4. *Determine in advance what disposition will be made of leftover foods. They certainly should not be wasted by discarding them. However, a possibility is that a cook will prepare more than is actually needed in order to assure that enough will be left over to take home.*
5. *Small amounts of leftover foods should be kept separated from other foods and made accessible to the staff.*
6. *Frequently discuss principles of economy with the cook. Post equivalency charts. Keep records of how much food is generally used for a particular item on the menu. Make comparisons when that item is served again.*[2]

A useful inventory control method is a 5 x 7 card file with a card completed for each item in the kitchen - food and supplies - filed either alphabetically, or according to categories (meat, vegetables, fruit, etc.).

PRODUCT NAME: ____________

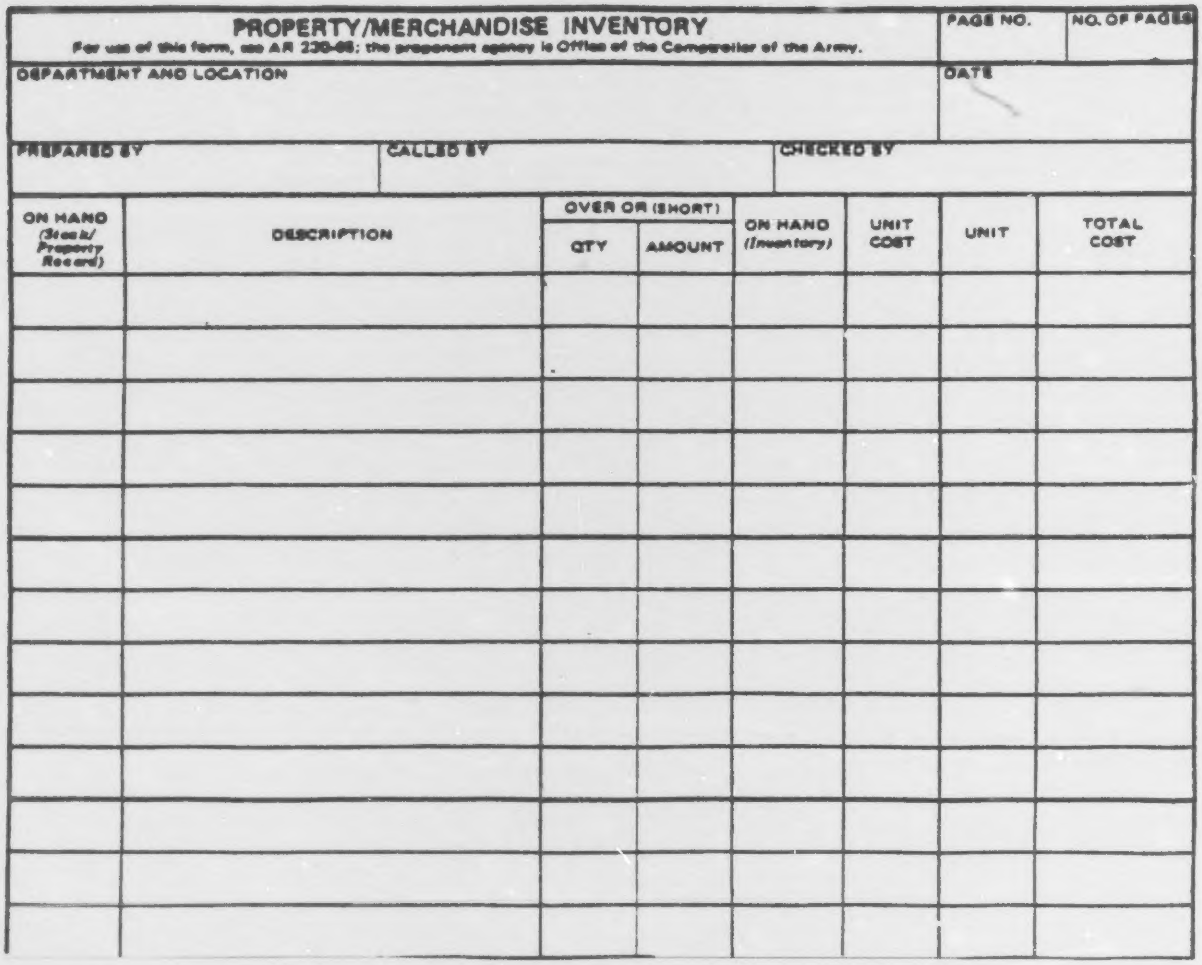
Date Purchased	Quantity Purchased	Where Purchased	Cost Per Unit	Date	Amount Used	Balance

---

[2] C. Cherry, B. Harkness, & K. Kuzma. Nursery school and day care center management guide. California: Fearon-Pitman Publishers, Inc., 1978.

When food is purchased, the information on the left side of the card is filled in; as food is used, the information on the right side of the card is completed by the cooks. This method not only aids in control, but also when ordering food.

In addition, a physical count of the food inventory is conducted in our center on the last working day of each month. Results are submitted to the Central Accounting Office no later than three working days after completion of the inventory.



PROPERTY/MERCHANDISE INVENTORY

For use of this form, see AR 230-65; the proponent agency is Office of the Comptroller of the Army.

PAGE NO.

NO. OF PAGES

DEPARTMENT AND LOCATION

DATE

PREPARED BY

CALLED BY

CHECKED BY

ON HAND (Stock/ Property Record)	DESCRIPTION	OVER OR (SHORT)		ON HAND (Inventory)	UNIT COST	UNIT	TOTAL COST
		QTY	AMOUNT				

Child Care Center Menu Work-Cost Sheet

MEAL

Date: ____________________

DAILY MENU GUIDE	TODAY'S MENU	CHILD PORTION	SERVINGS NEEDED	PURCHASE UNIT	SERVINGS/ UNIT	UNITS NEEDED	UNIT PRICE	TOTAL PRICE	PRICE/ SERVING
Meat or Meat Alternate									
Soup Vegetable or Salad									
Fruit									
Dessert									
Bread									
Margarine									
Milk									
PRICE TOTALS									

SNACK

Beverage									
Snack									
Snack									
PRICE TOTALS									

Another useful tool which enables the director to compute the costs of menus is a *Menu Work-Cost Sheet*. This worksheet should be completed the first time any menu is served in the center. Thereafter, it need only be completed as needed to keep up with rising food costs.

Your greatest difficulty with food service may very well be to provide a hot, nutritious meal at a price comparable to the local school system. The U. S. Department of Agriculture, Food and Nutrition Service, administers a Child Care Food Program. This program provides reimbursement funds for food service operating expenses in day care centers, family day care homes, after-school recreation centers and various other organized non-profit child care programs. Reimbursement is available for breakfast, lunch, supplements and/or suppers.

The following are the basic eligibility requirements for participation in the program (references are to sections of the applicable regulations):

1. (Part 226.9(a)) Child care centers and family and group day care homes shall have Federal, State or local governmental licensing or approval as a child care center.

2. (Part 226.9(b)) Child care centers and sponsoring organizations shall have tax-exempt status under Section 501(c)(3) of the Internal Revenue Code of 1954 or be moving towards compliance with the requirements for tax-exempt status (i.e., filed a letter or application with IRS) or be participating in another Federal program which requires non-profit status.

A day care center located on a military installation meets both of the above eligibility requirements. The center is considered to have Federal approval as a child care center and the organization sponsoring the center is a branch of the U.S. Government and therefore a public entity.

Help is available in menu planning from a number of sources. This topic is addressed in the *Installation Resources Available to Military Child Care Programs* module. Menu planning also is important from a budgeting standpoint. If you work out menus in advance you then can put together a grocery list for replenishing your food inventory which will enable you to obtain quantity discounts. Many factors should be considered in menu planning to reduce costs. These include considering the season of the year and building menus around items in plentiful supply. The Department of Agriculture publishes a bulletin which projects items that will be in abundant supply in the immediate future. Your geographic location should also be considered. There may be some items grown or canned locally that will be cheaper because of reduced transportation cost.

Certain records, forms, and directives are required to function effectively in this child care "business." These records, forms and directives often are called a Standard Operating Procedure (SOP). SOPs are based on regulations which set forth broad guidance on operating a program. They are the established methods or systems which are to be followed routinely in the child care center. The term, "SOP," is used frequently in the military world, and there's really nothing very complicated about it. As director, your SOP may be compared to the road map you use when driving cross-country. Obviously, before you begin your trip you must know where you are going - if you don't, how will you know when you've arrived? Likewise, in designing your SOP, you must know what you expect to do with it - the outcomes. For instance, if you're writing an SOP for nap time, the objective is to have all children who require naps resting quietly by a certain time of day.

Before starting your cross-country trip, it is wise to get as much information as possible: What are the road conditions? Is it too cold to take the northern route? Are there overnight accommodations where I need them? Information also is needed in putting a SOP together, e.g.: Is this in the best interest of the children? Will it make the caregiver's job easier? Is there a simpler way to do this? So, essentially, working out a road map for getting to your destination is what a SOP is all about. SOPs can deal with all aspects of the center's operation from collecting fees to feeding children. Obviously, each center must work out its own SOP which will be most effective and efficient for its operation.

The records, forms and directives discussed here are those related to "money" rather than "people." To maintain a cost-effective center, the daily financial operations of the center should be clearly spelled out in your SOP. It is essential for you to be able to account for your finances on a daily basis, even if your "official" accounting or recordkeeping is done by another office - as ours is. Our child care center SOP which deals with finances is actually an annex of the Installation Morale Support Fund SOP. This basic SOP includes those items and areas that are common to several activities, such as check-cashing procedures and how to handle petty cash. But, having your own internal recordkeeping system will enable you more quickly to prepare your budget and *to be in control* of the center's resources. This SOP also will serve as a ready reference when questions arise and will enable you to train new personnel for handling financial transactions in a minimum of time. A portion of the information needed for your SOP is contained in current service directives. Become familiar with all directives relating to center operations. These directives are in the areas of accounting and financial management, which includes internal control. Internal control is an accounting term used to refer to the procedures established to prevent a single individual from having control of enough of the steps of a financial transaction (usually cash or merchandise) to be able to steal or otherwise make unauthorized use of your property. Other portions of your SOP can be written to cover those things your center desires to do which are not otherwise precluded by regulation (first aid policies, playground procedures, employee handbooks, etc.). Those portions of our SOP dealing with finances that might be of value to you follow.

KEEPING INCOME RECORDS

Daily Cash Receipts Report. Children receiving care in the child care center are logged into and out of the center on the *Daily Cash Receipts Report* by the center's receptionist. A receptionist staffs the desk in the lobby of the center at all times during the center's operating hours. All parents and children who enter or leave the center must pass through this lobby.

The *Daily Cash Receipts Report* serves as a complete record of the center's money transactions in addition to providing daily information regarding children receiving care. The *Reports* are pre-numbered and issued to the center in duplicate by the Installation Morale Support Fund. Pre-numbering the *Reports* is a security precaution to insure internal control.

At the end of each day's operation, the *Reports* are totaled and signed by the receptionist. The original *Reports* are forwarded to the Central Accounting Office daily, and the carbons are filed in the child care center for future reference.

After the parents have completed a *Health Information and Parental Permission Card* (which is discussed in the *Center Management* module of this guidebook), each individual child is signed into the center on the *Daily*

FORT LEWIS CHILD CARE CENTER
Fort Lewis, Washington

DAILY CASH RECEIPTS REPORT

SHEET NO.______________

____
(Date)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)
LAST NAME	CHILD'S FIRST NAME	M/CARD #	PHONE #	TIME IN	TIME OUT	SCHOOL OUT	IN	TOTAL HOURS	M/C FEE	PREPAID	HOURLY, DAILY	MEALS, SNACKS	ESCORT CHARGE	OTHER	TOTAL	PARENT'S SIGNATURE
TOTALS (18)																

FtL Form 1133
7 Aug 75

Previous editions are obsolete.

(19)
VERIFIED BY: ______________

GPO 990-070

Cash Receipts Report by the receptionist, using the child's last and first name (Columns 1 and 2). If the child's last name differs from that of his parents, both last names are entered on the *Report*.

Column 3 on the *Report* is the membership card number of the family using the center. Column 4 is the phone number(s) where the parents can be contacted in emergencies. Although telephone numbers are included on the child's permanently filed health card, our experience has indicated that parents often are not at their home or place of work. This entry permits the center to obtain an emergency phone number on a *daily basis*. Columns 5 and 6 indicate the time of day - using "military time" - the child is signed into and out of the center. The fees for child care are based on quarters of the hour. Therefore, the times of day entered in these columns also are quarter-hours (e.g. 1000, 1015, 1030, 1045). For consistency, the receptionist always "backs-up" to the quarter-hour closest to the time a child enters or exits. For example, if a child is brought to the center at 1005, the time-in is entered as 1000; and if the child is picked up at 1255, the time-out is entered as 1245. Columns 7 and 8 are used to record entry and exit of children going to and coming from school because the parent does not pay child care rates when children are in school. The time of day the children leave the center (school - out) and the time of day they return to the center (school - in) are logged in these columns. Column 9 is the total hours the child received care in the child care center. The total hours are computed from Columns 5 through 8. Columns 10 through 15 are the various categories of fees paid by the parents on that day of the center's operation - the daily cash per category received. The amount of money collected when a Membership Card is sold is entered in Column 10 (M/C Fee). Columns 11 and 12 are child care fees based on the center's basic rate structures: prepaid, hourly or daily rate.

If a parent purchased a prepaid card, the desk receptionist enters the fee collected in Column 11. When the parent is using a prepaid card which was purchased previously to pay for child care, the receptionist enters the words "prepaid" across Columns 11 and 12. This indicates that no cash was involved in that transaction on that particular day. If the parent is paying child care fees with cash or a personal check, the receptionist enters the amount in Column 12.

The hourly/daily rates for child care at the center are:

Children Per Family	Hourly Rate	Daily Rate
1	$0.60	$ 4.75
2	$1.05	$ 8.25
3	$1.35	$10.50
4 or more	$1.55	$12.05

The daily rate is limited to ten hours of child care.

Column 13 is the fee paid for meals, milk and/or snacks provided by the center. The rates for food service in the center are:

Meals: Breakfast - 35 cents each
Lunch - 45 cents each
Dinner - 45 cents each

Milk (to accompany lunch brought from home) - 10 cents each

Snacks: Morning - free of charge
Afternoon - 15 cents each
Evening - 15 cents each

When parents have a child signed into the center, they also stamp the child's hand with the "Breakfast," "Lunch" or "Dinner" stamp. This stamp indicates to the staff of the center that the child is to be fed a center-prepared meal. A "Smiley-face" stamp on the hand indicates the child has a sack meal brought from home. When the child is signed-in by the receptionist, she asks if the child is eating a center meal, etc., and enters the price of the food in Column 13. (If the parent returns for the child prior to mealtime, no charge is incurred for the meal, and the receptionist draws a single line through the amount that had been entered). Caregivers in each room give a list to the receptionist after each meal with the names of those children who were served only milk. The receptionist enters this charge in Column 13. A snack fee also is entered in this Column for every child (except infants) present in the center at snack time. If the parent uses a prepaid card to pay for meals/snacks, the word "Prepaid" is entered in Column 13. Column 14 is the Escort charge for escorting children to and/or from school. As with meals and snacks, when the child is being signed into the center, the receptionist asks the parent if the child is to be escorted to and/or from school. If so, the receptionist enters the charge(s) in Column 14. If the parent uses a prepaid card to pay the escort fee, the word "Prepaid" is entered in Column 14. Column 15 is for entering "other" fees collected during the operating day. This may include overtime or late fees, isolation room fees, diaper fees. Column 16 is the total of all charges and fees (obtained by adding Columns 10 through 15) paid by the parent of the child who received care.

If any of the entries in Columns 12 through 15 are accounts receivable (either a parent "charging" child care services, accounts receivable from organizations or emergency care accounts receivable), the entry and the total - Column 16 - are made in red ink. When an entry has been made in red ink, the corresponding child care authorization form for volunteers/organizations or child care invoice for parents is attached to the *Daily Cash Receipts Report*. These indicate who is responsible for payment.

The parent's signature in Column 17 serves two purposes: The parent is verifying that he or she accepts responsibility for or has paid the total in Column 16 and also serves as evidence that the parent has picked up his or her child.

The totals for each Column of *Daily Cash Receipts* are entered at Number 18 and each *Report* is verified by an administrator of the center (Number 19).

Expanded Rate Schedule. For accuracy and efficiency in checking children out of the center, an Expanded Rate Schedule was designed. The desk receptionist refers to the Expanded Rate Schedule - which is covered in clear plastic - each time a parent pays with cash or personal check. This schedule aids in eliminating mathematical errors at busy times of the day.

CHILD CARE CENTER
EXPANDED RATE SCHEDULE

Number of Children:	1	2	3	4 or more
Hours	15¢ - 1/4 hour 30¢ - 1/2 hour	25¢ - 1/4 hour 55¢ - 1/2 hour	35¢ - 1/4 hour 70¢ - 1/2 hour	40¢ - 1/4 hour 80¢ - 1/2 hour
1	.60	1.05	1.35	1.55
1 1/4	.75	1.30	1.70	1.95
1 1/2	.90	1.60	2.05	2.35
1 3/4	1.05	1.85	2.40	2.75
2	1.20	2.10	2.70	3.10
2 1/4	1.35	2.35	3.05	3.50
2 1/2	1.50	2.65	3.40	3.90
2 3/4	1.65	2.90	3.75	4.30
3	1.80	3.15	4.05	4.65
3 1/4	1.95	3.40	4.40	5.05
3 1/2	2.10	3.70	4.75	5.45
3 3/4	2.25	3.95	5.10	5.85
4	2.40	4.20	5.40	6.20
4 1/4	2.55	4.45	5.75	6.60
4 1/2	2.70	4.75	6.10	7.00
4 3/4	2.85	5.00	6.45	7.40
5	3.00	5.25	6.75	7.75
5 1/4	3.15	5.50	7.10	8.15
5 1/2	3.30	5.80	7.45	8.55
5 3/4	3.45	6.05	7.80	8.95
6	3.60	6.30	8.10	9.30
6 1/4	3.75	6.55	8.45	9.70
6 1/2	3.90	6.85	8.80	10.10
6 3/4	4.05	7.10	9.15	10.50
7	4.20	7.35	9.45	10.85
7 1/4	4.35	7.60	9.80	11.25
7 1/2	4.50	7.90	10.15	11.65
7 3/4	4.65	8.15	Daily Rate Applies	Daily Rate Applies
Daily Rate up to 10 hours	4.75	8.25	10.50	12.05

COMPUTING CHARGES

The minimum hourly rate will be charged for the first hour, or any fraction thereof. Following the first hour, charges are computed on a 15-minute basis.

Daily Activity Report. The *Daily Activity Report* is prepared for each day of operation.

The report forms are pre-numbered and issued in duplicate by Morale Support Fund. The report contains two divisions. The first is a breakout of the day's receipts by category. A copy of the *Prepaid Card Ledger* - showing serial number, type of card, and selling price - and a copy of the *Membership Card Sales Record* - showing serial number and selling price - are attached to the *Daily Activity Report.* The second division is prepared from the totaled cash register tape recording the sales, under/over rings, cash count and cash over/short. The cash register tape and a carbon of the bank deposit slip - bank deposits are made daily - also are attached to the *Daily Activity Report.* The *Daily Activity Report* is forwarded daily to the Central Accounting Office, and a copy is maintained in the center files. When income is derived over weekends separate forms are used for each day's income, i.e. income for Friday and Saturday are on separate *Daily Activity Report* forms.

Cash Turn-Ins. The receipt of cash must result in assurance that all cash remittances are recorded as they are received.

A visual cash register is used in the center, and each sale is rung up in view of the customer. Over and under rings on the cash register may not be corrected by adding or substracting from the following cash ring, but will be recorded on a daily report and approved by an administrator of the center. Over/under rings also are circled and initialed on the cash register tape. Cash overages and shortages are recorded daily, and any irregularities are brought to the attention of the Morale Support Fund.

The desk receptionist and an assistant count the cash and separate the change fund at the end of each day's operation. (The cash register change fund represents the amount of cash that is authorized to be used for making change. No purchases of supplies, equipment or services can be made with the cash register change fund. The cashing of personal checks for convenience of employees is strictly prohibited. The change fund is locked in the safe overnight). The cash receipts for the day are placed in the night depository of the bank - by the receptionist who is escorted by military police. A copy of the deposit slip accompanies the *Daily Activity Report* submitted to Morale Support Fund, and a copy remains in center files.

Check Cashing and Dishonored Checks Procedures. The following sign is prominently posted in the center - NOTICE TO CHECK CASHERS: DISCLOSURE OF SOCIAL SECURITY NUMBER AND OTHER PERSONAL INFORMATION IS SOLICITED BY AUTHORITY OF TITLE 10, UNITED STATES CODE, SECTION 3012, AND IS MANDATORY IF YOU WISH TO CASH A CHECK. ALL INFORMATION FURNISHED, INCLUDING SSN, WILL BE USED TO IDENTIFY WRITERS OF CHECKS RETURNED UNPAID.

The child care center is responsible for insuring that the check writer fills out the check properly, completely, and legibly, including all information to be recorded on the reverse side of the check. The information stamp - name, rank, social security number - stamped on the

DAILY ACTIVITY REPORT

Child Care Center

Reporting Number

26848

SALES OR RECEIPTS	AMOUNT	
Prepaid card sales (ledger attached)	174	50
Child Care cash sales	637	90
Meals and snacks	111	50
School Escort Fees	3	00
Membership cards (sales record attached)	22	50
Accounts Receivable (includes Volunteers)	(105	40)
Received on Account	15	60
Previous care paid (listing attached)	6	55
	866	15

REGISTER READINGS	CASH	CHARGES	TOTAL
Closing Reading	4002542		
Opening Reading	3916329		
Register Sales and Other Collections	86213		
Register Corrections Slips Attached	402 under ring		
Net Register Sales and Other Collections	86615		
Cash Count	86625		
[✓ Cash Over] or (Short)	10		

Register Reading	Cash Received	Posted

Date	Activity
5 April 1978	Child Care Center

HFL Form 1248
2 Oct 70

☆ GPO 796-218

reverse side of the check must also be signed. The check writer must present a valid identification card for verification.

The center desk receptionist who accepts the check must initial the check and inspect the check writer's identification card to verify that it has not been overstamped to deny check-cashing privileges on the installation. All checks are stamped "For Deposit Only" immediately upon receipt, thereby limiting the negotiability. Checks will be accepted only for the amount due the center for services rendered.

The Morale Support Fund will attempt to effect settlement of dishonored checks with the individual concerned within 24 hours and will furnish the name of offenders not effecting settlement within 24 hours to the Directorate of Personnel and Community Activities.

A $10.00 service charge is assessed on all dishonored checks, and the check writer is prohibited from using the center until the dishonored check has been settled.

KEEPING EXPENSE RECORDS

Procurement. The following general directives govern procurement in our child care center:

> Supplies and equipment to be procured having a total value of less than $150 may be purchased with Petty Cash Funds with the exception of services i.e., bus drivers, sports officials or other similar personnel costs (purchase orders or contracts must be used for personnel costs).
>
> Oral price quotes for supplies and equipment may be used for purchases not in excess of $250 if the price quotation is considered fair and reasonable.
>
> Purchases in excess of $250 and not in excess of $1,000 will be made only after soliciting quotations normally from at least three qualified vendors. Name of organization, address, name of individual who made quote, amount of quotation and phone number must be typed on bond paper and stapled to the purchase order. Verification of quote will be made by the Custodian, Morale Support Fund.
>
> Purchases between $1,000 and $5,000 (excluding resale purchases) require the approval of the Director of Personnel and Community Activities. Custodian, Morale Support Fund, will prepare a Procurement Request upon advice from the child care center director prior to approving a purchase order or preparing a contract.

The Installation Commander or his designee must approve all procurements (excluding purchases of merchandise for resale) over $5,000 and not requiring the approval of a higher authority. The Custodian, Morale Support Fund will prepare a Procurement Request upon advice from the child care center director prior to approving a purchase order or contract.

Purchase orders. Purchase orders (sample on next page) are issued to the child care center by the Morale Support Fund. They are recorded and charged against the center.

When purchase orders are submitted to the Morale Support Fund for signature of the Custodian, they will include the full name and address of the vendor, appropriate budget chargeable, quantity, description, and estimated unit cost. Signature of the center director must appear on the original and duplicate of each purchase order.

After approval and signature by the Custodian, the original and triplicate is returned to the center with the correspondingly-numbered blank receiving report. The purchase order original is sent to the vendor and the triplicate is a center file copy. The duplicate is retained by the Morale Support Fund and forwarded to the Central Accounting Office for accounting purposes.

In no instance are purchases or obligations made against the Morale Support Fund without a duly authorized purchase order signed by the Custodian, Morale Support Fund.

Receiving Report. Upon receipt of merchandise on a purchase order, the receiving report (sample follows) is completed and forwarded to Morale Support Fund. Invoices are mailed directly to the Central Accounting Office by the vendor. Verification of the invoice with the receiving report and the purchase order is made prior to payment.

NONAPPROPRIATED FUND PURCHASE ORDER - RECEIVING RECORD
(AR 230-21)

DATE
19 Jul 78

PURCHASE ORDER

TO:
Post Exchange
Fort Lewis, WA 98433

MAIL INVOICE(S) TO THIS ADDRESS

FROM: (Name of Fund and Address)
Morale Support Fund - Bldg. T-2410
Fort Lewis, WA 98433

DELIVER TO - VIA
Child Care Center
Bldg. 2166
Fort Lewis, WA 98433

DISCOUNT TERMS
DAYS

SHIPPING INSTRUCTIONS

PURCHASE ORDER NUMBER
78 2481

QUANTITY	STOCK NUMBER	DESCRIPTION	UNIT	COST	
				PER UNIT	TOTAL
		Expendable			
100	4x8776	Crib Sheets	EA	2.00	200.00
5	2134	Disposable Diapers	case	35.50	167.50
		TOTAL			367.50
		4th QTR BUDGET FY 78			

Director's signature

INSTRUCTIONS: Above fund will not be liable for payment of any bills for material or services not covered by Purchase Order signed by fund custodian. *THE US GOVT. DOES NOT GUARANTEE PAYMENT OF INVOICES UNDER THIS ORDER.*

SIGNATURE OF FUND CUSTODIAN
Mary O. Johnston

DA FORM 1 APR 67 1756 PREVIOUS EDITIONS ARE OBSOLETE. ☆ GPO: 1957 O—424205

MATERIAL INSPECTION AND RECEIVING REPORT

1. PROC. INSTRUMENT IDEN (CONTRACT) (ORDER) NO.

6. INVOICE

7. PAGE OF

8. ACCEPTANCE POINT

2. SHIPMENT NO.

3. DATE SHIPPED

4. B/L

TCN

5. DISCOUNT TERMS

9. PRIME CONTRACTOR CODE

Post Exchange
Fort Lewis, WA 98433

10. ADMINISTERED BY CODE

Morale Support Fund
Bldg. T-2410
Fort Lewis, WA 98433

11. SHIPPED FROM (If other than 9) CODE

FOB:

12. PAYMENT WILL BE MADE BY CODE

Morale Support Fund
Bldg. T-2410
Fort Lewis, WA 98433

13. SHIPPED TO CODE

Child Care Center
Bldg. 2166
Fort Lewis, WA 98433

14. MARKED FOR CODE

15. ITEM NO.	16. STOCK/PART NO. DESCRIPTION (Indicate number of shipping containers - type of container - container number.)	17. QUANTITY SHIP/REC'D*	18. UNIT	19. UNIT PRICE	20. AMOUNT
	4x8776 Crib Sheets	100	ea	2.00	200.00
	2134 Disposable Diapers	5	case	35.50	167.50
					367.50

21. PROCUREMENT QUALITY ASSURANCE

A. ORIGIN

☐ PQA ☐ ACCEPTANCE of listed items has been made by me or under my supervision and they conform to contract, except as noted herein or on supporting documents.

DATE

SIGNATURE OF AUTH GOVT REP

TYPED NAME AND OFFICE

B. DESTINATION

☐ PQA ☐ ACCEPTANCE of listed items has been made by me or under my supervision and they conform to contract, except as noted herein or on supporting documents.

DATE

SIGNATURE OF AUTH GOVT REP

TYPED NAME AND TITLE

22. RECEIVER'S USE

Quantities shown in column 17 were received in apparent good condition except as noted.

DATE RECEIVED: 31 Jul 78

SIGNATURE OF AUTH GOVT REP: Wilburta Pierce

TYPED NAME AND OFFICE: Wilburta Pierce
Child Care Center

*If quantity received by the Government is the same as quantity shipped, indicate by (✓) mark, if different, enter actual quantity received below quantity shipped and encircle.

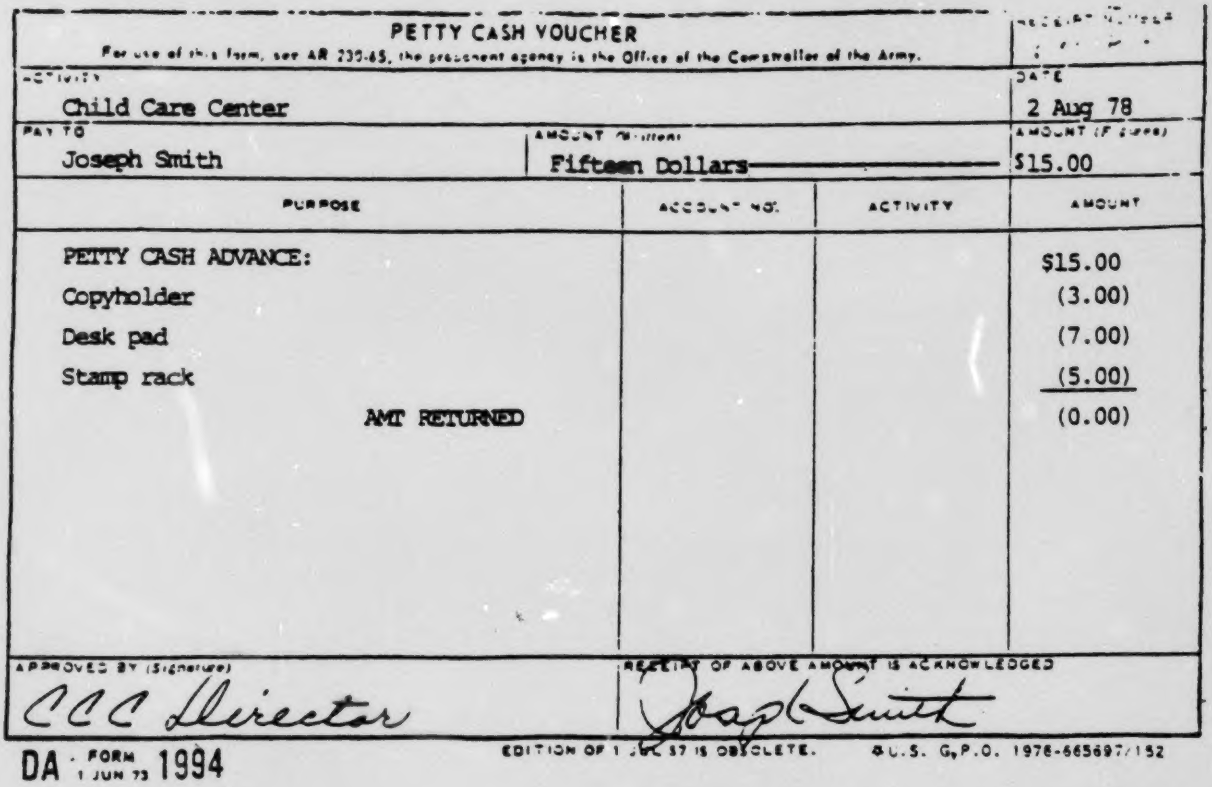
23. CONTRACTOR USE ONLY

12-613

DD FORM 1 NOV 68 250

REPLACES EDITION OF 1 AUG 67 WHICH MAY BE USED

Petty Cash Fund. The center petty cash funds are operated on a reimbursement basis and represent the amount of ready cash that is authorized to be used for small miscellaneous disbursements which are less than $150. No purchases are to be made from this fund in excess of $150 for any one purchase. Purchases may not be split to circumvent the $150 limitation. The child care center director is issued a sufficient number of petty cash vouchers to record each purchase.



PETTY CASH VOUCHER

For use of this form, see AR 230-65, the proponent agency is the Office of the Comptroller of the Army.

RECEIPT NUMBER [illegible]

ACTIVITY: Child Care Center

DATE: 2 Aug 78

PAY TO: Joseph Smith

AMOUNT (Written): Fifteen Dollars

AMOUNT (Figures): $15.00

PURPOSE	ACCOUNT NO.	ACTIVITY	AMOUNT
PETTY CASH ADVANCE:			$15.00
Copyholder			(3.00)
Desk pad			(7.00)
Stamp rack			(5.00)
AMT RETURNED			(0.00)

APPROVED BY (Signature): CCC Director

RECEIPT OF ABOVE AMOUNT IS ACKNOWLEDGED: Joseph Smith

DA FORM 1 JUN 73 1994

EDITION OF 1 JUL 57 IS OBSOLETE. ☆U.S. G.P.O. 1976-665697/152

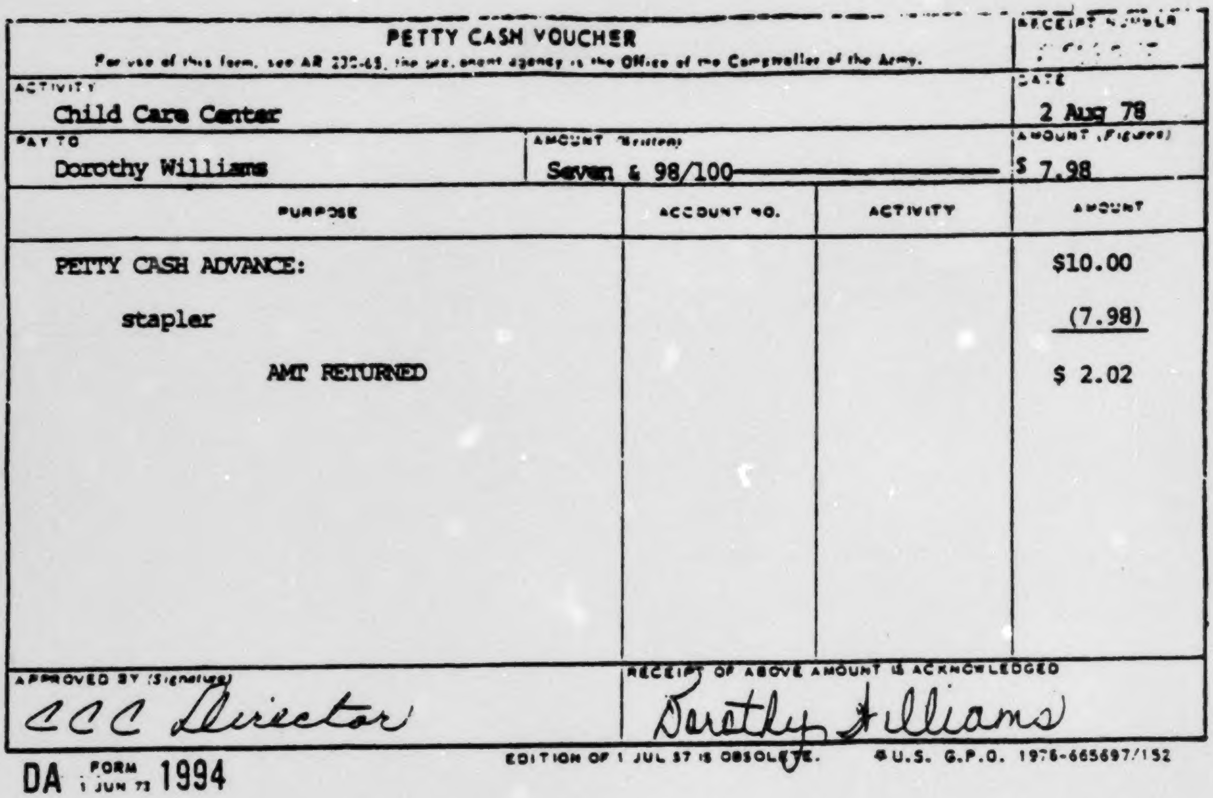
Each voucher is pre-numbered and used sequentially. Only one transaction/purchase will be recorded per voucher. When the petty cash requires reimbursement, all vouchers are consolidated on a petty cash summary voucher and reimbursement from the Morale Support Fund is made by check to the child care center.

NONAPPROPRIATED FUND PETTY CASH SUMMARY VOUCHER			VOUCHER NUMBER 00674
ACTIVITY Child Care Center		PERIOD FROM 2 Aug 78	TO 25 Aug 78
RECEIPT NUMBERS (Inclosed) FROM 00121 TO 00125		VERIFIED	
TOTAL AMOUNT REIMBURSED	$ 44.23	APPROVED FOR PAYMENT	
CASH ON HAND	$ 30.77	DATE PAID	
AMOUNT OF FUND	$ 75.00	CHECK NUMBER	

DISTRIBUTION FOR POSTING

CON ACCT NO.	AMT	SUBSID-ACCT NO.	AMT	ACTIVITY	AMT	CON ACCT NO.	AMT	SUBSID-ACCT NO.	AMT.	ACTIVITY	AMT
00121	15.00	2/8/78									
00122	7.98	2/8/78									
00123	5.00	4/8/78									
00124	10.00	8/8/78									
00125	6.25	25/8/78									
	44.23										

When it is necessary to use petty cash, an administrator of the center approves the petty cash voucher authorizing the exact amount to be spent or an amount in excess sufficient to cover the price. In either case, the purchaser signs in the receipt block. The amount issued will be entered on the voucher as a *petty cash advance*. When the purchase has been made, the item(s) and the amount(s) will be entered and the difference recorded as the amount returned.



PETTY CASH VOUCHER

For use of this form, see AR 230-65; the proponent agency is the Office of the Comptroller of the Army.

RECEIPT NUMBER [illegible]

ACTIVITY Child Care Center

DATE 2 Aug 78

PAY TO Dorothy Williams

AMOUNT (Written) Seven & 98/100

AMOUNT (Figures) $ 7.98

PURPOSE	ACCOUNT NO.	ACTIVITY	AMOUNT
PETTY CASH ADVANCE:			$10.00
stapler			(7.98)
AMT RETURNED			$ 2.02

APPROVED BY (Signature) CCC Director

RECEIPT OF ABOVE AMOUNT IS ACKNOWLEDGED Dorothy Williams

DA FORM 1 JUN 73 1994 EDITION OF 1 JUL 57 IS OBSOLETE. ☆U.S. G.P.O. 1976-665697/152

The amount of cash on hand plus the total of authorized vouchers must always equal the authorized amount of the petty cash fund. All cash removed from the petty cash container for procurement must be supported by a cash advance voucher. Overages and shortages are reconciled upon reimbursement. A check is issued for shortages. A statement signed by the acccountable individual will accompany the voucher stating the cause of any irregularity.

Petty cash funds may not be commingled with any other cash funds. Petty cash funds are maintained in a locked container within a safe or a lockable desk drawer. Petty cash funds may not be used to cash personal checks, pay employees' wages, salaries or associated costs, or pay for services, i.e., sports officials, bus drivers or other similar personnel costs.

Petty cash and change funds are renewed annually and upon change of center director. Petty cash funds will be transferred whenever the director changes or is temporarily absent if petty cash funds are to be used, or the period of temporary absence is in excess of five days.

MONITORING THE CENTER'S FINANCIAL HEALTH

Financial status monitoring simply means keeping some basic information to identify parts of your operation that are not operating as efficiently from a dollar standpoint, as you would like them to. We use several simple tools to keep track of what is happening to and in the center.

The most basic tool used is the *Daily Analysis Sheet*. On this sheet a supervisor records the number of caregivers in each room or in each age group every hour. The primary purpose of this hourly survey is to ensure that sufficient caregivers are on duty to keep the adult/child ratio at or below the maximum allowed by regulation. Simple management tools such as this also can help you monitor the financial status of the center on an hourly and daily basis.

Three other summary forms are used by our center which have been invaluable in monitoring the center's fianancial health - the *Children in Care Summary*, the *Child Food Service Summary*, and the *Child Escort Service Summary*.

Monitoring the financial well-being of a child care center on a regular basis allows you to make intelligent decisions regarding the need for rate increases, staff scheduling changes and other elements of the program which affect income and costs.

DAILY FINANCIAL
STATUS MONITORING
SYSTEM

WAGE RATE SCHEDULE

MONDAY - FRIDAY
(0630 - 1700)

NUMBER OF STAFF	WAGE RATE	NUMBER OF STAFF	WAGE RATE
1	- -	21	90.72
2	32.07	22	93.68
3	35.88	23	96.64
4	39.69	24	99.60
5	43.36	25	102.56

WEEKENDS
(and after 1700 hrs daily)

NUMBER OF STAFF	WAGE RATE
1	- -
2	10.65
3	13.61
4	16.57
5	19.53
6	22.49
7	25.45
8	28.41
9	31.37
10	34.33
11	37.29
12	40.25
13	43.21
14	46.17
15	49.13
16	52.09
17	55.05
18	58.01
19	60.97

INCOME RATE SCHEDULE

NUMBER OF CHILDREN	INCOME RATE				
1 - 0.55	45 - 24.75	89 - 48.95	133 - 73.15	177 - 97.35	221 - 121.55
2 - 1.10	46 - 25.30	90 - 49.50	134 - 73.70	178 - 97.90	222 - 122.10
3 - 1.65	47 - 25.85	91 - 50.05	135 - 74.25	179 - 98.45	223 - 122.65
4 - 2.20	48 - 26.40	92 - 50.60	136 - 74.80	180 - 99.00	224 - 123.20
5 - 2.75	49 - 26.95	93 - 51.15	137 - 75.35	181 - 99.55	225 - 123.75
6 - 3.30	50 - 27.50	94 - 51.70	138 - 75.90	182 -100.10	226 - 124.30
7 - 3.85	51 - 28.05	95 - 52.25	139 - 76.45	183 -100.65	227 - 124.85
8 - 4.40	52 - 28.60	96 - 52.80	140 - 77.00	184 -101.20	228 - 125.40
9 - 4.95	53 - 29.15	97 - 53.35	141 - 77.55	185 -101.75	229 - 125.95
10 - 5.50	54 - 29.70	98 - 53.90	142 - 78.10	186 -102.30	230 - 126.50
11 - 6.05	55 - 30.25	99 - 54.45	143 - 78.65	187 -102.85	231 - 127.05
12 - 6.60	56 - 30.80	100 - 55.00	144 - 79.20	188 -103.40	232 - 127.60
13 - 7.15	57 - 31.35	101 - 55.55	45 - 79.75	189 -103.95	233 - 128.15
14 - 7.70	58 - 31.90	102 - 56.10	146 - 80.30	190 -104.50	234 - 128.70
15 - 8.25	59 - 32.45	103 - 56.65	147 - 80.85	191 -105.05	235 - 129.25
16 - 8.80	60 - 33.00	104 - 57.20	148 - 81.40	192 -105.60	236 - 129.80
17 - 9.35	61 - 33.55	105 - 57.75	149 - 81.95	193 -106.15	237 - 130.35

FORT LEWIS CHILD CARE CENTER DAILY ANALYSIS SHEET

DATE:

TIME	0730	0830	0930	1030	1130	1230	1330	1430	1530	1630	1730	1830	1930	2030	2130	2230	2330	0030	TOTALS
INFANT																			
PRE-TODDLER																			
TODDLER																			
PRE-SCHOOL																			
SCHOOL AGE																			
TOTALS																			
CENTER RATIO																			
HOURLY INCOME																			
HOURLY WAGES																			
HOURLY PROFIT/LOSS																			

TOTAL DAILY INCOME ____________

TOTAL DAILY WAGES ____________

PROFIT OR LOSS PER INCOME/WAGES ____________

A SAMPLE FINANCIAL MONITORING SYSTEM

Daily Analysis Sheet.

Nature: a single page form filled out each day by the receptionist and filed for future reference.

Content: the form permits the recording of the staff/child ratio in each age group or room of the center each hour that the center is open during the day or evening. In addition, it permits the calculation of wages paid to caregivers and income received from parent fees on an hourly basis in the center, permitting an analysis of center profit or loss each hour.

Explanation of the Form:

each column records one hour's activity in each room

each row records daily activity in one room or age group

	0730	0830	
Infant		1 / 5	. top section of each box records the number of caregivers in each room at 8:30 a.m.
Pre-Toddler		2 / 10	. bottom section of each box records number of children in each room or of each age at 8:30 a.m.
Toddler		2 / 16	
Preschool		2 / 20	
School-Age & Preschool		2 / 29	
Totals		9 / 80	. top section records total number of caregivers in the center
			. bottom section records total number of children in the center
Center Ratio		1 / 9	. center staff/child ratio found by reducing the TOTAL: 9/80 = 1/9 ratio
Hourly Income		$44.00	. income brought in to center by 80 children, taken from *INCOME RATE SCHEDULE*
Hourly Wages		$52.20	. wages of the 9 caregivers plus fixed costs taken from *WAGE RATE SCHEDULE*
Hourly Profit/Loss		- $11.20	. subtract wage expenses from income for one hour

The top portion of the *Daily Analysis Sheet* enables the administrator to see at a glance the number of children present in each center room or age-group, the number of caregivers with each group of children, and - by adding each room total together - the total number of children and caregivers in the center at any hour of the day. These figures are valuable for:

> *Maintaining required staff/child ratios in the center from hour to hour.* Accurately staffing the center is vital to the well-being of the children, to staff morale, and for the cost-effective management of a "drop-in" center. These ratios must be closely monitored. The *Daily Analysis Sheet* permits one to see clearly the staffing needs of the center. If the center is understaffed - not enough caregivers for the number of children - additional caregivers must be called to work. If the center is overstaffed - too many caregivers for the number of children - the center is losing money and some members of the staff must sign out.
>
> On the other hand, one may see that an overstaffing situation has occurred in the infant room, for example, - several parents have taken their babies home - but an understaffing situation has occurred in the school-aged room - the children have just arrived from the morning kindergarten class. Then, rather than have some caregivers sign out for the day, it is possible to shift them from the infants to the school-agers.
>
> *Maintaining the recommended number of children in each group or room and assuring that you never exceed the maximum capacity of the center.* By using this tool, you know the number of people who are present in the center and where they are located. You may notice that the group of three-year-old children has grown rapidly, and they need to be sub-divided into smaller groups.
>
> *Establishing cost-effective weekly work schedules for caregivers.* After completing these *Daily Analysis Sheets* over a period of time, you may notice, for example, that you have too many caregivers scheduled to begin work in the morning compared to the number of children usually in the center at that time. As a result, the center is overstaffed for perhaps, an hour - which can be expensive. When you can see these kinds of things in black and white, it becomes clear that there may be more effective and less costly ways to operate. You might stagger the staffing hours of some caregivers - e.g., three come at 0630 hours; two more begin work at 0700; and two more arrive at 0730. An added benefit of this type of scheduling is that the staff transition period in the afternoon may become easier and less confusing because all of the caregivers are not leaving or arriving at the same time.

For additional financial status monitoring, you will notice that the three rows at the bottom of the *Daily Analysis Sheet* permit the administration to see at a glance the *INCOME* from parent fees; the *WAGES* being paid to on-duty caregivers; and the *HOURLY PROFIT/LOSS* ratio for every hour of the day. The income received and the wages paid by the center to the caregivers on duty are precalculated and easily can be taken from the *Income Rate Schedule* and the *Wage Rate Schedule* by a supervisor. (The method used to develop the *Income* and *Wage Schedules* will be discussed at the end of this section).

At the end of each hour it is possible to calculate the *approximate* income figure by multiplying the number of children in the center by an average hourly fee - this portion is done already on the *Income Rate Schedule* and the *approximate* wage figure by multiplying the number of caregivers present by an average wage fee - this is done on the precalculated *Wage Rate Schedule*. By subtracting the smaller of these two figures from the larger, you will obtain the hourly profit or loss of the center. If the *WAGES* figure is larger than the *INCOME* figure, the center has operated at a loss during that hour - this often happens during the first or last hour of the day's operation in a "drop-in" center. When the *INCOME* figure is larger than the *WAGE* figure, the operation has been profitable during that hour.

Finally, at the end of each day's operation, the *INCOME* and *WAGE* figures which have been entered hourly can be totaled and entered in the blanks at the very bottom of the sheet. Again, by subtracting the smaller number from the larger number, a *daily* profit or loss figure can be obtained. These figures are valuable for:

> *Monitoring the general financial direction of the overall operation.* Although the wage and income figures are only approximate, and wages are not the only expense a center has, personnel costs usually make up at least four-fifths of the budget and can serve as a compass to indicate the general direction of the total center operation. Keep in mind, in order to meet other expenses, such as equipment and supplies, the center must show some profitability over a period of time.
>
> *Preparing monthly budgets.* Although the *approximate* profit or loss indicated on the *Daily Analysis Sheets* is based solely on income and wages, these sheets have been useful in preparing monthly budgets. Data collected over a period of time will show trends that can be used to figure the cost of care for each age group at various times during the day, during the week, and during the month. Trends also are apparent during a year. Some months of the year and days of the months and times of day the center may be "bursting at the seams," while other times it is less busy with fewer children, and, as a result, fewer required expenditures.

Developing an Expense Rate Schedule. For ease in calculating center profit or loss during some period of time - an hour, a day, a week - we have developed a schedule of the *approximate* expense per hour involved in operating the center with two, three or more staff present. This *approximate* cost is calculated solely on the basis of an hourly average of wages and fringe benefits paid to employees of the center. While it is true that wages are not the only expense a center has, personnel costs are the most costly items in a child care center budget. Therefore, *approximate* center expenses calculated in this way can serve as a compass to indicate in which general direction expenses are heading.

Example - calculating hourly expenses

a) *Hours of Center Operation*

Monday	0600 - 2300	16 1/2 hours
Tuesday	0630 - 2300	16 1/2 hours
Wednesday	0630 - 2300	16 1/2 hours
Thursday	0630 - 2300	16 1/2 hours
Friday	0630 - 0100	18 1/2 hours
Saturday	0900 - 0100	16 hours
	Total Hours	100 1/2 hours per week

b) *Monthly Hours of Center Operation*

100 1/2 hours per week
x 52

2,226 hours per year
÷ 12
435 1/2 hours per month

c) *Fixed Salaries and Benefits Expenses*

Director	Assistant Director
$5.93 per hour	$4.56 per hour
x 2080 hours per year	x 2080 hours per year
$12,334.40 per year	$9,484.80 per hear
+ 18% benefits	+ 18% benefits
$14,554.59 total cost	$11,192.06 total cost
÷ 12 months	÷ 12 months
$ 1,212.88 total cost per month	$932.67 total cost per month

Program/Training Supervisor

$3.34 per hour
x 2080 hour per year
$6,947.20 per year
+ 18% benefits
8,197.70 total cost
÷ 12 months
$683.14 total cost per month

Cook

$3.49 per hour (6 hrs/day)
x 1560 hours per year
$5,444.40 per year
+ 18% benefits
6,424.39 total cost
÷ 12 months
$535.37 total cost per month

Nite and Saturday Cook

$2.82 per hour
1456 hours per year (4 hrs/day x 5 days + 8 hrs Saturday)
4,105.92 per year
+ 7.5% nite differential
4,413.86 total cost
+ 18% benefits
5,208.36 total per year
÷ 12 months
434.03 per month

Janitor

$3.05 per hour
x 2080 hours per year
6,344.00 per year
+ 10% nite differential
6,978.40 total cost
+ 18% benefits
8,234.51 total per year
÷ 12 months
686.21 per month

Two Desk Receptionists (Day)

$3.11 per hour - one recep.
+ 3.11 per hour - one recep.
6.22 per hour
x 2080 hours per year
12,937.60 per year
+ 18% benefits
15,266.37 total per year
÷ 12 months
$1,272.20 per month

Desk Receptionist (NITE)

$2.99 per hour
x 1742 hours (33 1/2 hrs per wk)
5,208.58 per year
+ 7 1/2 % nite differential
5,599.22 per year
+ 18% benefits
6,607.08 total per year
÷ 12 months
$550.59 per month

Desk Receptionist (Day - Part-Time)

$2.68 per hour
x 780 hours (15 hrs/wk)
2,090.40 per year
+ 18% benefits
2,466.67 per year
÷ 12 months
205.56 per month

d) *Fixed Personnel Costs Per Month (daytime operation)*

Director	$1,212.88
Assistant Director	932.67
Program Supervisor	683.14
Cook	535.37
Janitor	686.21
Desk	1,477.76
Total	$5,528.03 per month

There are two approaches to allocating fixed costs to hours of center operation:

Method A: Divide monthly fixed costs by *total* hours per month the center is open.

$12.69 per hour
435½ hours)$5528.03

Method B: Divide monthly fixed costs by regular work-week hours per month, not including evenings or extra hours, e.g. 8 hours/day x 5 days x 52 weeks divided by 12 months.

$31.89 per hour
173 1/3 hours)$5528.03

The rationale for Method B is that wages for 173 1/3 hours per month would have to be paid to the full time staff for normal workdays. The daytime hours are usually the busiest and therefore sufficient revenue should be generated to cover fixed costs plus variable costs of extra caregivers. Then, the marginal cost of keeping the center open additional hours only involves fixed costs for the night cook and night desk person plus variable costs. This means the breakeven point for night and Saturday operations is much lower. This enables you actually to make a profit by keeping the center open for a small number of children. If you average the fixed costs over the total hours the center is open, certain periods might appear unprofitable when they actually are not Of course to use Method B, the normal day of operation must cover both fixed and variable costs. In any case, the fixed costs should only be spread over enough hours to cover them.

e) *Variable Salaries and Benefit Expenses*

Room Supervisors (head caregivers)

Average hourly salary $3.23
x 5 supervisors
16.15 per hour
x 2080 hours per year
33,592.00
+ 18% benefits
39,638.56
÷ 12 months
$3,303.21 per month

Intermittent Employees

Average hourly salary $2.79
+ 6.05% FICA
$2.96 per hour

When you have found your cost per hour to pay the salaries and fringe benefits of the staff who are on the regular payroll full time or permanent part time, you then will want to find out the cost per hour of the intermittent employees or other staff whose attendance will vary with the number of children in the center. These salary expenses are thought of as variable costs - costs which vary with the number of children present.

f) *Calculating Expense Rates*

Finally, in order to determine the *average* expenses per hour involved in caring for one or more children, initially you will divide the monthly fixed cost rate by the number of hours during which your center is open. Fixed Cost Rate = $5528.03 ÷ 227½ hours per month = $24.30 per hour. As you will notice in the chart below, until there are at least six caregivers in the center, the hourly rate for employees is higher since the higher salaried Room Supervisors care for the children. At and above six caregivers attendance, the hourly salary rate is $2.96 per hour - the average salary for the intermittent employees.

To find the expense per hour to operate the center with various numbers of caregivers present, you multiply the number of staff by the hourly rate for one staff member to get a total variable hourly rate and add to that the fixed rate for operating the center for one hour, no matter how many children are in attendance. The resulting total is a close estimate of the *expense per hour* to operate the center.

At our center, we calculate a daytime expense rate and a separate evening rate.

Calculating Expense Rates

Monday - Friday Daytime Rates
(0630 - 1700)

Fixed cost rate = $5528.03 ÷ 227½ daytime operating hours per month = $24.30

No. of Staff	x	Hourly rate	Total hourly rate	+	fixed rate	=	Expense/hour
1		$3.96	$3.96		$24.30		$28.26
2		3.81	7.77		24.30		32.07
3		3.81	11.58		24.30		35.88
4		3.81	15.39		24.30		39.69
5		3.67	19.06		24.30		43.36
6		2.96	22.02		24.30		46.32
7		2.96	24.98		24.30		49.28
8		2.96	27.94		24.30		52.24
9		2.96	30.90		24.30		55.20
10		2.96	33.86		24.30		58.16
11		2.96	36.82		24.30		61.12
12		2.96	39.78		24.30		64.08
13		2.96	42.74		24.30		67.04
14		2.96	45.70		24.30		70.00
15		2.96	48.66		24.30		72.96
16		2.96	51.62		24.30		75.92
17		2.96	54.58		24.30		78.88
18		2.96	57.54		24.30		81.84
19		2.96	60.50		24.30		84.80
20		2.96	63.46		24.30		87.76

Weekend and Evening Rates After 1700 Hours

Fixed cost rate = $984.62 ÷ 208 evening hours/month = $4.73

No. of Staff	x	Hourly rate	Total hourly rate	+	fixed cost	=	Expense/hour
1		$2.96	$ 2.96		$4.73		$ 7.69
2		2.96	5.92		4.73		10.65
3		2.96	8.88		4.73		13.61
4		2.96	11.84		4.73		16.57
5		2.96	14.80		4.73		19.53

WAGE RATE SCHEDULE

MONDAY - FRIDAY (0630 - 1700)				WEEKENDS (and after 1700 hrs daily)	
NUMBER OF STAFF	WAGE RATE	NUMBER OF STAFF	WAGE RATE	NUMBER OF STAFF	WAGE RATE
1	- -	21	90.72	1	- -
2	32.07	22	93.68	2	10.65
3	35.88	23	96.64	3	13.61
4	39.69	24	99.60	4	16.57
5	43.36	25	102.56	5	19.53
6	46.32	26	105.52	6	22.49
7	49.28	27	108.48	7	25.45
8	52.24	28	111.44	8	28.41
9	55.20	29	114.40	9	31.37
10	58.16	30	117.36	10	34.33
11	61.12	31	120.32	11	37.29
12	64.08	32	123.28	12	40.25
13	67.04	33	126.24	13	43.21
14	70.00	34	129.20	14	46.17
15	72.96	35	132.16	15	49.13
16	75.92	36	135.12	16	52.09
17	78.88	37	138.08	17	55.05
18	81.84	38	141.04	18	58.01
19	84.80	39	144.00	19	60.97
20	87.76	40	146.96	20	63.93

Developing an Income Rate Schedule. In order to see how the cost per hour compares with income that the center brings in each hour, we have found it useful to develop an *Income Rate Schedule* - a schedule of the approximate income per hour per child using the center.

In developing an *Income Rate Schedule* you will need to consider the types of fee categories that your center offers and the proportion of each type of rate used during an average hour of center operation. For example, the sample center offers three types of rates,

a) an hourly rate
b) a prepaid rate
c) a weekly rate

In addition, each of these rates is different depending upon whether a child is,

a) the only or first child in a family
b) a second or third child from the same family.

Therefore, in order to calculate an average or *approximate* hourly income, you will need to weigh the income from each fee category in proportion to the percent of users who actually fall into each category.

Example - Calculating Hourly Income

a) *Identify the percent of center income which is collected in each rate category.*

67 percent of center revenue comes from hourly fees

20 percent of center revenue comes from prepaid fees

13 percent of center revenue comes from weekly fees

b) *Identify the percent of each rate category which is affected by special discounts.*

80 percent of center revenue comes from first or only child rate

20 percent of center revenue comes from second or third child family discount rates

c) *Calculate a weighted income for each fee category based on the proportion of center users who actually fall into each category.*

- *Weighted "hourly" rate*

1) 80 percent of 60 cents/hour = $.48
20 percent of 45 cents/hour = $.09

Average income from "hourly" customers weighted to reflect family discounts = $.57

2) 67 percent of total center users pay the "hourly" rate (.57), so the weighted income from hourly customers is .67 x .57 or of total center hourly income rate $.38

- *Weighted "prepaid" rate*

1) 80 percent of 55 cents/hour = $.44
20 percent of 43 cents/hour = $.09

Average income from "prepaid" customers weighted to reflect family discounts $.53

2) 20 percent of total center users pay the "prepaid" rate (.53), so the weighted income from "prepaid" customers is .20 x .53 or of total center hourly income rate $.11

- *Weighted "weekly" rate*

1) 80 percent of $.475/hour = $.38
20 percent of $.35/hour = $.07

Average income from "prepaid" customers weighted to reflect family discounts = $.45

2) 13 percent of the total center users pay the "weekly" rate (.45), so the weighted income from "weekly" customers is .13 x .45 or of the total center hourly income rate. $.06

d) *Add together the weighted hourly income rates for each category to find the weighted average income per child per hour.*

$.38

$.11

$.06

$.55 = weighted average income per child per hour

INCOME RATE SCHEDULE

NUMBER OF CHILDREN	INCOME RATE
1	0.55
2	1.10
3	1.65
4	2.20
5	2.75
6	3.30
7	3.85
8	4.40
9	4.95
10	5.50
11	6.05
12	6.60
13	7.15
14	7.70
15	8.25
16	8.80
17	9.35
18	9.90
19	10.45
20	11.00
21	11.55
22	12.10
23	12.65
24	13.20
25	13.75
26	14.30
27	14.85
28	15.40
29	15.95
30	16.50
31	17.05
32	17.60
33	18.15
34	18.70
35	19.25
36	19.80
37	20.35
38	20.90
39	21.45
40	22.00
41	22.55
42	23.10
43	23.65
44	24.20
45	24.75
46	25.30
47	25.85
48	26.40
49	26.95
50	27.50
51	28.05
52	28.60
53	29.15
54	29.70
55	30.25
56	30.80
57	31.35
58	31.90
59	32.45
60	33.00
61	33.55
62	34.10
63	34.65
64	35.20
65	35.75
66	36.30
67	36.85
68	37.40
69	37.95
70	38.50
71	39.05
72	39.60
73	40.15
74	40.70
75	41.25
76	41.80
77	42.35
78	42.90
79	43.45
80	44.00
81	44.55
82	45.10
83	45.65
84	46.20
85	46.75
86	47.30
87	47.85
88	48.40
89	48.95
90	49.50
91	50.05
92	50.60
93	51.15
94	51.70
95	52.25
96	52.80
97	53.35
98	53.90
99	54.45
100	55.00
101	55.55
102	56.10
103	56.65
104	57.20
105	57.75
106	58.30
107	58.85
108	59.40
109	59.95
110	60.50
111	61.05
112	61.60
113	62.15
114	62.70
115	63.25
116	63.80
117	64.35
118	64.90
119	65.45
120	66.00
121	66.55
122	67.10
123	67.65
124	68.20
125	68.75
126	69.30
127	69.85
128	70.40
129	70.95
130	71.50
131	72.05
132	72.60
133	73.15
134	73.70
135	74.25
136	74.80
137	75.35
138	75.90
139	76.45
140	77.00
141	77.55
142	78.10
143	78.65
144	79.20
145	79.75
146	80.30
147	80.85
148	81.40
149	81.95
150	82.50
151	83.05
152	83.60
153	84.15
154	84.70
155	85.25
156	85.80
157	86.35
158	86.90
159	87.45
160	88.00
161	88.55
162	89.10
163	89.65
164	90.20
165	90.75
166	91.30
167	91.85
168	92.40
169	92.95
170	93.50
171	94.05
172	94.60
173	95.15
174	95.70
175	96.25
176	96.80
177	97.35
178	97.90
179	98.45
180	99.00
181	99.55
182	100.10
183	100.65
184	101.20
185	101.75
186	102.30
187	102.85
188	103.40
189	103.95
190	104.50
191	105.05
192	105.60
193	106.15
194	106.70
195	107.25
196	107.80
197	108.35
198	108.90
199	109.45
200	110.00
201	110.55
202	111.10
203	111.65
204	112.20
205	112.75
206	113.30
207	113.85
208	114.40
209	114.95
210	115.50
211	116.05
212	116.60
213	117.15
214	117.70
215	118.25
216	118.80
217	119.35
218	119.90
219	120.45
220	121.00
221	121.55
222	122.10
223	122.65
224	123.20
225	123.75
226	124.30
227	124.85
228	125.40
229	125.95
230	126.50
231	127.05
232	127.60
233	128.15
234	128.70
235	129.25
236	129.80
237	130.35
238	130.90
239	131.45
240	132.00
241	132.55
242	133.10
243	133.65
244	134.20
245	134.75
246	135.30
247	135.85
248	136.40
249	136.95
250	137.50
251	138.05
252	138.60
253	139.15
254	139.70
255	140.25
256	140.80
257	141.35
258	141.90
259	142.45
260	143.00

Save your center information. As you collect facts and figures relating to the center's operation, don't destroy them - *FILE THEM*. Hold onto that precious research you've done - not a note jotted on the back of a child's drawing or figures on the back of an envelope, but the hard facts you dug up for this particular effort. Records which we've kept have come in handy the second time around - for example, when a new commander decides to request a follow-up or the same information at a later date, or when it's time to reanalyze the center's fee structure.

Three ledgers kept in our center which have been worth their "weight in gold" involve summaries of the number of children who use various aspects of the child care center's program - the number of children who have been cared for each day, the number of children who have been fed center meals, and the number of children who have been escorted to or from schools.

Recording these figures provides you with information which permits you to make valid decisions related to the center's daily operation. You can observe such things as rapid growth or decline in the operation and seasonal, monthly, weekly, or daily usage factors which should enable you to project budget and staffing needs.

CHILD CARE CENTER
CHILDREN IN CARE SUMMARY

Year: __________

Days of Month	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	S
1									
2									
3									
4									
5									
6									
7									
8									
9									
10									
11									
12									
13									

CHILD FOOD SERVICE SUMMARY

Year: __________

Days of Month	Jan			Feb			Mar			Apr			May			Jun			Jul			Aug			Sep			Oct			Nov			Dec		
	B	L	D	B	L	D	B	L	D	B	L	D	B	L	D	B	L	D	B	L	D	B	L	D	B	L	D	B	L	D	B	L	D	B	L	D
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31																																				
TOTALS																																				

CHILD ESCORT SERVICE SUMMARY

Year: ____________

Days of Month	Sep				Oct				Nov				Dec				Jan			
	Escort				Escort				Escort				Escort				Escort			
	#1	#2	#3	#4	#1	#2	#3	#4	#1	#2	#3	#4	#1	#2	#3	#4	#1	#2	#3	#4
1																				
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TOTALS																				

125

126

UNDERSTANDING YOUR CENTER'S 'BREAKEVEN' POINT

One useful technique for visually monitoring the profit or loss from a center's activities is what might be called a "breakeven" graph - or a graph which displays the point at which the costs of operation and the income of a center will equal each other and "break even."

For simplicity, you can consider all center operating costs as either "fixed" or "variable." As discussed earlier in the section on *Budgeting*, fixed costs are the costs you will incur regardless of the number of children using the center. In military child care centers, they include such things as the salaries plus fringe benefits, insurance, retirement, FICA - of the full and part time center employees. In civilian centers they would include expenses for such things as rent, utilities, telephone, insurance. The fixed costs form the floor upon which "variable" costs are added to give you a basis for computing the number of children who will have to use the center during any period in order for you to "break even." The variable costs, quite simply, are those costs that vary with the number of children using the center and the number of hours the center is open.

In order to determine whether your center is operating at a profit or a loss, you can make a graph which compares the income brought into the center by varying numbers of children, with the expenses - both fixed and variable - of providing that care. Looking at the following graph, the horizontal line running along the bottom of the graph represents the number of hours of child care given during one month. The vertical line running up the left side represents the dollars either taken in income or expended.

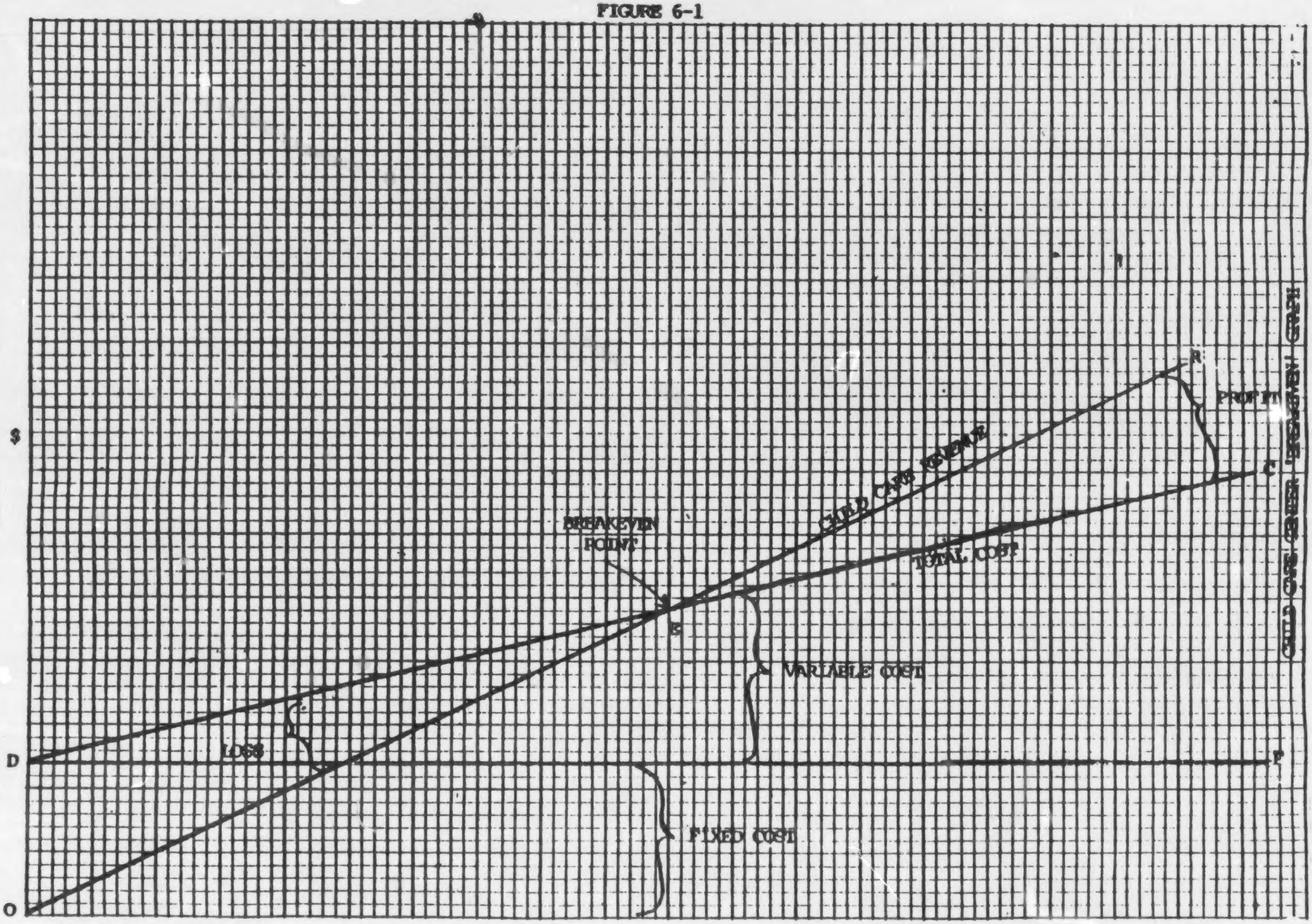
The distance from *O* to *D* on the graph represents the fixed costs that are involved in operating the center for one month. In order to calculate this amount, the Director must know the hourly wage and the cost of benefits for each permanent employee. It is easy to see that fixed costs consume a constant amount of dollars whether you serve one child or the number of children required to fill your center to capacity. The line *D-C* shows the total cost of operation for the period - this includes the fixed costs plus the costs which vary with an increased number of children i.e. salary expenses for the number of caregivers required for a given number of children.

The line *D-C* slopes up to the right because as you serve more children, the total cost of the caregivers' salaries increases. The distance between lines *D-F* and *D-C* represents the variable costs incurred by serving more children.

The line *O-R* shows the total revenue from child care during the month, calculated on the basis of the actual cost per hour times the actual number of child hours spent in the center.

NUMBER OF CHILD-HOURS PER MONTH

FIGURE 6-1



CHILD CARE CENTER BREAKEVEN GRAPH

At point *E* - where lines *D-C* and *O-R* intersect - total cost equals total revenue and your center is operating at zero profit and zero loss. As more child care hours are provided beyond this "breakeven" point, a net profit will be generated equal to the amount that the income from serving children is greater than the costs of taking care of them.

Although there are some complicating aspects of figuring out fixed and variable costs and average income per hour, due to differing rates and different staff/child ratio requirements, a simple procedure that will give reasonably accurate results follows:

1. *Find the average number of child care hours you provide per month or whatever period of time you decide to use.*

   An average number can be obtained by adding up the number served each month for several months and then dividing this amount by the number of months.

March	39,536 hours
July	36,260 hours
December	34,737 hours
	109,533 child care hours in three months

   109,533 ÷ 3 = 36,511 child care hours in an average month

2. *Find the average amount of income received per child hour during a month.* Again, an average can be obtained by adding up the amount of income received each month for the same months used to calculate average child hours and dividing the total by the number of months.

March	$21,744.80 gross income for the month
July	$19,105.35 gross income for the month
December	$16,643.00 gross income for the month
	$57,493.15 gross income for three months

   $57,493.15 ÷ 3 = $19,164.38 average monthly gross income

3. *Plot a point on the graph you are constructing that represents these two averages.* The child hours will be plotted on the horizontal axis, the income on the vertical axis. Then, draw a straight line from the point where the imaginary lines drawn from each axis intersect, back through the zero point at the left corner of your graph. (Line *O-R* on the same graph). Now, any point along this line will represent approximately the total revenue for a corresponding number of children.

4. *Add up all of the fixed costs*, such as those mentioned at the beginning of this section. This figure should be relatively constant from one month to another.

5. *Find the point on the vertical axis of your graph that corresponds to your fixed costs, then draw a horizontal line straight across the graph from this point.* (Line *D-F* on the same graph).

6. *Find the average total costs - fixed and variable - during a month.* Again, an average can be obtained by adding the costs for the same months used to calculate average child hours and dividing by the total number of months.

March	$20,440.11	-	total costs for the month
July	$17,959.03	-	total costs for the month
December	$15,644.42	-	total costs for the month
	$54,043.56	-	total costs for three months
$54,043.56 ÷ 3 =	$18,014.52	-	average monthly costs

7. *Plot a point on the graph you are constructing that represents this average monthly cost and the average child care hours - which were calculated in step 1.* The child hours will be plotted on the horizontal axis, the cost on the vertical axis. Draw a straight line from this point back to point *D* on the vertical axis. (Line *D-C* on the graph). Now, any point along this line will represent approximately the total cost for a corresponding number of children.

8. *Point E where lines D-C and O-R intersect, on the sample graph, is your center's "breakeven" point.* Now, by simply keeping a running total of the children being cared for during the month, and comparing it with this graph, you will be able to tell approximately when you have covered your expenses and are beginning to generate a profit.

The value in knowing this breakeven point is that you can then make intelligent decisions regarding things you need to buy for the center without having to wait three weeks after the end of the month for Central Accounting to send you your financial statements. Further, you will be able to tell, for any given month, whether your attendance is adequate to pay for the expenditures involved in providing the care that month. If you find that you consistently are running at or below the breakeven point, you will be operating "in the red" and will have to make some changes fairly rapidly. If, for example, you have raised fees or attracted some additional children to the center, the impact of these changes will be visible quite rapidly on your graph, also.

FOLLOWING UP ON DANGER SIGNALS

Normally, when you think of an audit you think only of financial records. But, it isn't enough just to look at financial records. All that is shown by these records are the results of the operation of the center - good or bad. You need to know more. You need to know what caused the results to be good or bad. That is where the following checklist can help you.

	YES	NO
1. Do you have a written statement of your center's basic philosophy and goals?		
2. Are all your services known to customers and employees?		
3. Is meeting or exceeding your competition a specific part of your goals?		
4. Do possibilities exist for expanding types of care or physical growth, perhaps, to include another location?		
5. Are there daily, weekly, seasonal, or cyclical fluctuations in the demand for child care?		
6. Have you established overall as well as detailed objectives?		
7. Are your plans consistent both internally and externally?		
8. Do you have written job descriptions for each job to be performed, and do they match the center objectives?		
9. Are there job specifications for every job description?		
10. Do employees understand the responsibilities of their jobs?		
11. Have you delegated authority to lower levels in the center? How much?		
12. Is there a written step-by-step procedure for orienting new employees?		
13. Do you have a written statement of policies concerning items of interest?		
14. Do you have an adequate staff development program, and do you base your training needs on job descriptions and specifications?		
15. Do you receive a monthly income statement?		
16. Do you analyze your financial statements to determine any trends which may be developing?		
17. Have you analyzed your attendance and enrollment for the past years to determine whether they are rising, remaining constant, or decreasing?		
18. Can you give a realistic estimate, based on question 17, of what you anticipate center use to be this year?		

	YES	NO
19. Have you analyzed your fixed costs for the period?		
20. Have you figured out the average variable cost per hour of each hour of child care provided?		
21. Do you know how much your fringe benefits cost you per employee per hour?		
22. Have you attempted to construct a 'breakeven' model of your center?		
23. At the end of the period, do you review your actual operations and your budget projection together?		
24. Has your cost for supplies remained a relatively constant proportion of income?		
25. Do you attempt to:		
a) Balance work stations?		
b) Balance workloads?		
c) Minimize interferences?		
d) Provide flexibility?		
26. Do you periodically review the various services provided by the center?		
27. Are changes in offered services adequately communicated to employees?		
28. Have you noticed any consistent patterns in the demand for child care?		
29. Have you taken a survey of child care prices in your general market area?		
30. Can you identify specific differences in your service that make it superior/inferior to the same or similar service of others?		
31. Have you attempted to test or experiment with new services (or varieties of old) prior to a full commitment of resources?		

	YES	NO
32. When setting prices, do you use estimates of your future costs rather than present ones in arriving at the appropriate price to charge?		
33. Do you periodically reevaluate and modify your prices?		
34. Do you have a clear purpose in mind for your advertising?		
35. Do you have a method of evaluating the effectiveness of your promotional efforts?		
36. Is your center convenient and easily accessible to your customers?		
37. Do your hours of operation meet the needs of your customers?		
38. Is your attitude toward planning:		
a) It must be done for successful growth?		
b) It is nice but not necessary?		
c) It is not needed at all since my operation is too small?		
39. How do you predict future developments:		
a) By personal observation of informal (non-numerical) methods?		
b) By formal (numerical) methods?		
40. Do you actively assess your competitors for clues as to what they will do next?		

The foregoing checklist was based largely on Small Business Management Series No. 38, Management Audit for Small Service Firms, by Phyllis A. Barker, David, H. Hovey, and John J. Murphy. (U.S. Government Printing Office: Washington, D.C.) Stock number 045-000-00143-1. Price $.90. This is an excellent booklet that goes into detail about the reasons for the above checklist questions.

We have found the titles included in this section to be useful references in the general area of financial planning and management of child care centers. Some of them have been quoted in this module, all have been reviewed in the module's preparation. You may find them valuable sources of additional information.

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